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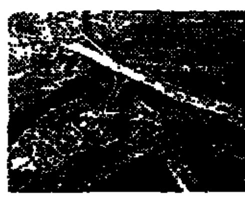

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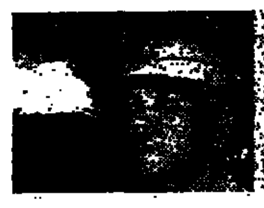

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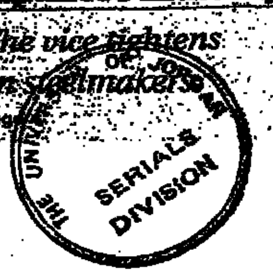
The vice tightens on ...



FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY MARCH 9 1994 | D8523A

Top Carter aide named as White House counsel

President Bill Clinton reached into the upper echelons of the Washington establishment for assistance over the Whitewater affair by appointing Lloyd Cutler as his new White House legal counsel.

Mr Cutler, 76, served in the same capacity in the troubled last year of the Carter administration. He is believed to have insisted he be regarded as counsel to the office of the president, rather than as Mr Clinton's personal attorney. Page 14; Profile, Page 5

De Beers, the South African company which dominates the world diamond trade, is lifting its total 1993 dollar dividend by 7 per cent. The move confirms the stout turnround in the diamond business from the difficult conditions in 1992. Page 19; Commodities, Page 26

Job creation plea: The US government is calling for an international compromise on labour market reform to create jobs, with the US investing more in education and training and European countries reforming inflexible labour policies and wage-setting restrictions. Page 14

GM setback in Europe: General Motors' Opel-Vauxhall car and light commercial vehicle operations in Europe suffered a 56 per cent fall in net profits to $600m in 1993. Page 15

Western fears mount over Baltic states

The foreign ministers of the three former Soviet Baltic states will meet today in Bonn along with German foreign minister Klaus Kinkel (left), amid growing concern in western capitals over Russian-Estonian relations as the deadline for the withdrawal of Russian troops from the territory approaches. Mr Kinkel has called for Russia troops to be withdrawn from Estonia and Latvia on schedule, by August. Page 2

BCCI: The liquidators to the collapsed Bank of Credit and Commerce International provisionally approved a revised deal with the government of Abu Dhabi, the majority shareholder in the bank, which should pave the way for an increased payment to creditors. Page 14

US peace drive: US special envoy Charles Redman met President Slobodan Milosevic of Serbia as Washington, anxious to run ahead of pressure from its Nato allies to send ground troops to Bosnia, is speeding up its search for a political settlement for former Yugoslavia. Page 2

Slanging match on China intensifies: China and the US toughened their war of words on China's human rights record, souring the atmosphere for this week's visit to Beijing by US secretary of state Warren Christopher. Page 4

Ex-minister's office raided: Japanese prosecutors moved against a national politician for the first time in their year-long investigation into corruption in the construction industry and the political establishment when they raided the offices of former construction minister Kishiro Nakamura. Page 4

Train crash kills more than 60: At least 63 people were killed and 370 injured when a packed South African commuter train was derailed near Durban. Picture, Page 4

WPP, marketing services group, said it is likely to float part of its market research businesses this year, yielding up to $200m, as part of an effort to reduce debt. Page 15; Lex, Page 14

Hopes fade over trade talks: US trade officials have begun to lose hope for any significant gains in the final drive to negotiate tariff cuts in the Uruguay Round beyond those agreed in December. The deal is set to be signed on April 15. Page 6

Hoechst and BASF, two of Europe's biggest chemicals concerns, announced reduced dividends and earnings for 1993. Page 15

Hijacked aircraft stormed: Troops stormed a hijacked Saudi airliner at Nairobi airport, and shot one of the Ethiopian hijackers.

Aztec Mining: The A$287m (US$206.5m) battle for the Sydney-based metals group came to an abrupt end when PosGold Investments, part of Robert Champion de Crespigny's Normandy Poseidon group, snapped up more than three-quarters of its shares in a stock market raid. Page 19; Death of a golden chance, Page 19

■ STOCK MARKET INDICES		
FT-SE 100:	3264.4	(-41.5)
Yield	3.67	
FT-SE Eurotrack 100	1458.23	(-1.21)
FT-SE-A All-Share	1648.2	(-1.0%)
Nikkei	19,898.39	(+86.51)
New York lunchtime:		
Dow Jones Ind Ave	3843.56	(-12.66)
S&P Composite	465.39	(-1.61)
■ US LUNCHTIME RATES		
Federal Funds:	3¼%	
3-mo Treas Bills: Yld	3.611%	
Long Bond	92 27/32	
Yield	6.811%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(same)
Liffe long gilt future:	Mar 112 23/32	(Mar 112¼)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Apr)	$13.11	(13.08)
■ Gold		
New York Comex (Apr)	$377.7	(376.9)
London	$376.0	(377.6)

■ STERLING		
New York lunchtime:		
$	1.4875	
London:		
$	1.4875	(1.4906)
DM	2.5516	(2.5615)
FFr	8.6702	(8.6998)
SFr	2.1375	(2.1445)
Y	156.517	(157.780)
£ Index	81.0	(81.2)
■ DOLLAR		
New York lunchtime:		
DM	1.7165	
FFr	5.83275	
SFr	1.4385	
Y	105.385	
London:		
DM	1.7155	(1.7184)
FFr	5.8289	(5.8365)
SFr	1.437	(1.4387)
Y	105.225	(105.850)
$ Index	66.4	(66.6)
Tokyo close Y 105.54		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.80	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.60	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Hopes rise for $2bn rescue at Euro Disney

Rights issue planned with cut in bank interest charges

By Alice Rawsthorn in Paris

Euro Disney, the leisure group, and Walt Disney, its US parent company, are understood to have mapped out the basic framework for a FFr12bn ($2bn) restructuring plan with Euro Disney's banks. They are optimistic that an outline rescue package can be agreed before the March 31 deadline.

The main components of the deal are expected to be a FFr6bn rights issue and a FFr4bn reduction in Euro Disney's financial costs through a combination of the banks' reducing their interest charges on its debt and Disney's waiving entitlement to fees and royalties. The remaining FFr2bn would come from a series of smaller measures such as asset transfers.

Euro Disney is owned 49 per cent by Disney of the US. The remaining 51 per cent is publicly quoted.

"There's still some way to go and all the details have yet to be ironed out", said a senior banker involved with the negotiations. "We'll probably see a few storms before the calm but, at the moment, it looks as though we could have an outline deal within a fortnight".

Once a preliminary deal has been agreed, it will take at least three months for the final package to be completed. Disney is committed to bankrolling Euro Disney until March 31 but is understood to be willing to extend its support beyond that deadline if the banks have agreed in principle to a deal.

A team of senior Disney executives, advised by Lazard Frères in New York, has moved to Paris and will stay until the deal has been agreed. It is holding regular negotiating sessions with the banks' steering committee, led by Banque Indosuez and Banque Nationale de Paris.

Both sides have agreed that a rights issue will form the core of the restructuring plan. Disney will take up its full entitlement of the issue, maintaining its stake, and some of the creditor banks may act as underwriters.

The two camps are still arguing, however, over the precise terms of the proposed reduction in Euro Disney's financial costs.

At present, Disney is entitled to royalties on 10 per cent of Euro Disney's admissions and 5 per cent of food and souvenir sales. The banks are pressing it to waive the royalties or reduce them to a token level. Disney is arguing that its royalty entitlement should eventually be reintroduced if Euro Disney meets, or beats, certain targets.

Similarly, the banks are asking Disney to extend indefinitely its waiver of a management fee worth 3 per cent on Euro Disney's turnover. The US group again hopes eventually to reinstate the fee.

Once the fee and royalty issue has been settled, Disney will press the banks for reciprocal cuts in their interest rates on a large part of Euro Disney's debt.

Japan's steelmakers forecast $1.1bn loss as recession bites

By Michiyo Nakamoto in Tokyo

Japan's five biggest steelmakers expect to make a combined pretax loss of Y114bn ($1.1bn) for the year ending this month and, with the exception of Nippon Steel, will be passing their dividend.

The severity of Japan's prolonged economic downturn coupled with the impact of a high yen would result in the loss, even after sales of a substantial amount of securities holdings, the steel companies announced yesterday.

Sumitomo Metal Industries, the third largest integrated steelmaker, is forecasting the largest loss among the five of Y34bn in spite of sales of stocks amounting to Y16bn. It made a Y5.3bn profit last year.

Nippon Steel, the world's largest steelmaker, is planning to sell a total of about Y66bn of securities holdings but nevertheless expects a loss of Y19bn, compared to profits of Y28.9bn in 1992-93.

For Japan's steel industry, this year's results will be some of the worst since the economy suffered from the severe impact of the yen's rapid rise in 1986.

"The trading environment has become extremely difficult," said Mr Shigeru Omori, executive vice president of Nippon Steel. The consensus is that the situation is even worse than the immediate aftermath of the 1985 Plaza Accord when the yen's value shot up against the dollar.

The steelmakers are accelerating restructuring plans with many announcing increased cuts in employees, reduced capital expenditure and stringent reviews of operations. However, personnel reductions will generally be achieved through natural attrition and transfers to subsidiaries. Some diversification plans, which were begun as an attempt to reduce dependence on steel products, are being scaled back or terminated.

Sumitomo Metal, which is shedding 4,300 jobs over the next two years, plans to reduce general capital spending by half to Y120bn although it will go ahead with plans to invest Y90bn in advanced facilities at its Wakayama plant. Sumitomo also plans to reduce costs by 15 per cent, or Y150bn, by fiscal year 1995.

However, the decision to pass the dividend reflects the general gloom about the outlook for next year. The domestic situation is unlikely to recovery much and some steel groups expect a further deterioration in results.

JAPAN'S BIG FIVE STEEL GROUPS
Forecast losses for 1993-94 (Ybn)

	Pre-tax loss	Net loss
Nippon Steel	19	32
NKK	25	30
Kobe	4	1
Sumitomo	34	35
Kawasaki	32	39

Steel manufacturers suffer identity crisis, Page 4
Borrowing rate raised, Page 4

Firefighters damp down a petrol train that derailed and exploded in Zurich. The fuel entered sewers, setting fire to nearby houses Reuter

German ban on UK beef 'would be illegal'

By Gillian Tett in Brussels

The European Commission warned yesterday that Germany would be breaking European law if it banned imports of British beef because of fears of "mad cow" disease.

Commission officials said any move by Germany, which has threatened a ban because of its concern over bovine spongiform encephalopathy (BSE), would almost certainly be met by legal action from the Commission. This would probably mean an injunction in the European Court of Justice aimed at forcing the ban to be lifted.

Health ministry officials in Bonn said yesterday that Germany intended to seek a special session of EU health ministers later this month to discuss a ban. Bonn has yet to state clearly that it is still prepared to impose restrictions unilaterally if it fails to persuade its EU partners to impose a Union-wide ban. Health ministry officials said last week Germany was prepared to act unilaterally

In Brussels the Commission said: "There is only one body that can take a decision to restrict exports in Europe and that is the Community." It added that the Commission had repeatedly told the Germans there was no scientific evidence to link British beef with another spongiform infection, Creutzfeldt-Jakob disease, which affects humans.

The warning came as German and British veterinary and health experts met in Brussels to try to resolve the dispute, inflamed by recent comments from Mr Horst Seehofer, German health minister, suggesting Germany would restrict beef imports if the UK did not introduce tighter measures.

Government spokesmen in Bonn and London said there were differences in the interpretation of scientific evidence. Mr Hartmut Schlegel, at the German health ministry, said that this meant the Germans still wanted to press ahead with restrictions.

Mr René Steichen, EU agricultural commissioner, has indicated to Bonn that any restrictions would be illegal.

The issue has provoked irritation in Brussels, because of its implications for the Commission's powers and the operation of the single European market.

An EC official said Mr Steichen's attitude was "if the meat is safe enough for the UK consumer – and we are convinced it is – then it is safe enough for the German consumer too".

Norway nears accord on terms for EU entry

By David Gardner in Brussels

Norway was close last night to agreeing entry terms to the European Union, joining Sweden, Finland and Austria, which concluded membership negotiations last week.

But the planned move from 12 to 16 member states by January 1995 was stalled because the UK and Spain – with lukewarm support from Italy – continued to refuse to countenance any dilution of their voting rights in an expanded Union.

At a closed meeting of foreign ministers in Brussels, the nine other current EU members warned London and Madrid that the enlargement could not go ahead if they remained obdurate. The Greek presidency of the EU and the European Commission held bilateral meetings with the British and Spanish foreign ministers, who were urged to contact their prime ministers, senior EU diplomats said.

The UK and Spain insist on retaining the existing formula of 23 votes needed to prevent EU legislation – out of 76 votes distributed among the 12 roughly according to their size. Their partners want to shift the "blocking minority" to 27 votes, to maintain the same percentage in a Europe of 16 sharing 90 votes.

Mr Jacques Delors, Commission president, proposed a compromise of moving to 27, plus a committee of representatives of EU heads of government to study vote distribution before the Union's constitutional review in 1996. The committee would be mandated to consider British, Spanish, Italian, and German wishes to get a closer relation between national population and votes than now exists.

A senior British official said: "I can assure you there will be no settlement except on British terms."

Mr Klaus Kinkel, foreign minister of Germany – which does worst in the new vote share-out it is advocating in order to get the four applicants into the Union – said: "There is no sense in agreeing on 23 [votes] because this will be rejected by the [European] parliament."

Amid this test of negotiating nerve, the EU and Norway looked close to squaring the other enlargement circle – Spanish insistence on recovering "historic rights" to 7,000 tonnes of Norwegian cod against Oslo's refusal to concede a single extra fish.

A Commission formula, which both Madrid and Oslo were prepared to consider, in effect recycles fish quotas Norway conceded when it joined the European Economic Area free trade zone, which started this year.

That allowed 7,250 tonnes of fish in 1994, rising to 11,000 tonnes in 1997, for the EU's four poorest countries, nearly half of it earmarked for Spain.

Under the EEA, the Union also gets 2.9 per cent of the Norwegian waters cod quota – about 40,000 tonnes this year. Norway's much-vaunted fisheries management foresees rises in the quota, however, and therefore a higher tonnage for the Union. The Commission proposes that that increment should go to satisfy Spanish demands.

Czechs delay EU application, Page 3

CONTENTS

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Rühe rejects more cuts in defence

By Michael Lindemann in Bonn

Mr Volker Rühe, the German defence minister, yesterday warned against further cuts in defence spending following a report by the parliamentary ombudsman saying soldiers were demoralised and bewildered by equipment shortages and confusion about the role of the German army.

Mr Alfred Biehle, the ombudsman who visited troops throughout Germany, said there was a "discrepancy" between objectives set out for the armed forces and means available to meet them.

Soldiers on exercise were now shouting "bang, bang" to simulate the sound of rifle fire because bullets were too costly, the report said. Far-reaching cuts in defence spending have aggravated problems arising from the fusion of the Bundeswehr and the former East German Volksarmee.

"The fact that budget commitments and structural decisions have been cancelled or changed in quick succession has shattered the credibility and leadership ability of the political and military commanders," Mr Biehle wrote in his annual report.

"Soldiers expect, with right, that politicians clearly tell the German population why it needs a Bundeswehr in the future and what sort of an extended objective it will have."

Falling morale in the armed forces has meant more people were refusing national service and the number of conscientious objectors in 1993 shot up to 111,190, up from 60,269 three years earlier.

The Bundeswehr Association, to which more than 250,000 soldiers belong, welcomed Mr Biehle's report, saying it highlighted longstanding "anxieties and problems in the armed forces".

The growing number of professional soldiers who had been retired to meet savings targets meant the Bundeswehr had almost reached its reduced target of 370,000 men.

Associated Press

Trams ran in Sarajevo yesterday for the first time since war broke out nearly two years ago, travelling along the city's 'Sniper Alley'

US in Balkans peace drive

By Judy Dempsey

The US, anxious to run ahead of pressure from its Nato allies to send ground troops to Bosnia, is speeding up its search for a political settlement for the former Yugoslavia.

Mr Charles Redman, its special envoy, yesterday met President Slobodan Milosevic of Serbia in an effort to draw the Bosnian Serbs into last week's federation agreement between Bosnian Croats and Moslems. He later met President Franjo Tudjman of Croatia in Zagreb.

Tomorrow, Mr Cyrus Vance, the former United Nations peace mediator, will meet Mr Theodoros Pangalos, the Greek foreign minister, in Geneva to try to resolve Greece's dispute with neighbouring Macedonia.

Mr Redman's talks in Belgrade reflect Washington's belief that participation of the Bosnian Serbs is crucial for securing stability in Bosnia and for putting together a broader agreement.

"We need to engage the Bosnian Serbs in order to put something together that would represent an overall settlement," said Mr Redman.

Mr Charles Redman, 50, the US special envoy to the region appointed last August, and now the pivotal player in the peace process, spends his time commuting between Zagreb, Sarajevo, Serbia and Vienna, where Bosnian Croats and Moslems and Croatian officials are trying to put flesh on a preliminary federal plan for Bosnia, writes Judy Dempsey.

"When he first sat in on the Geneva talks, I think he was overwhelmed by the complexity of the issues," a senior UN official said. "He listened. He learned. Washington could get its fingers burnt just like the Europeans." Mr Redman is trying to avoid this by making sure no lines are crossed. He is on the phone constantly to Mr Vitaly Churkin, Russia's envoy to the former Yugoslavia, the German Foreign Ministry, and the UN.

"Redman wants to capitalise on the momentum for peace. If it comes, he'll have a hard time convincing Congress to send ground troops to keep that peace," a US diplomat said.

Sceptics believe Mr Redman, former ambassador to Sweden and state department spokesman, does not have enough political clout, but he leans on his contacts at the intelligence department of the US air force and at Nato, where he served in the 1970s and 1980s respectively.

UN and US diplomats yesterday said the issue for the Bosnian Serbs was the status they would have if they accepted the federal plan. The accord envisages a federation of Bosnian Croats and Moslems linked with Croatia through a confederal structure.

UN diplomats have warned Bosnian Serbs that if they reject the Washington agreement, then 70 per cent of the territory they hold would be "placed in limbo".

"It would not be recognised by the international community and we would not sanction any union of Serbia with eastern Bosnia," a senior UN negotiator said.

In an effort to bring the Serbs to the negotiating table, diplomats stressed that the Bosnian Croat/Moslem federation neither was aimed at isolating the Serbs, nor provided an instrument to launch a spring offensive against Serbs in eastern Bosnia.

"The question is if the Serb leadership is prepared to concede, and if they judge this is the right time to negotiate. After all, Mr Milosevic wants sanctions lifted," a UN diplomat said. Any concessions by the Bosnian Serbs and Croatia would involve:

- The Bosnian Serbs ceding territory in eastern Bosnia, and agreeing to lift the sieges of the Moslem-held enclaves of Gorazde, Zepa, and Srebrenica.
- Mr Milosevic and Mr Tujdman agreeing on the status of Serb-held territories in Croatia. Nearly one third of the republic is covered by UN protected areas, which are de facto under Serb control.
- Croatia agreeing to grant extensive autonomy to Serbs in south-western and eastern Croatia in return for Zagreb regaining control over the republic. But it is far from certain if Mr Milosevic could, or wants to persuade the Serb leadership in Croatia to accept this proposal since the war has radicalised them.

Balladur declares war on Franglais

A new law will lead the Gallic offensive against English and its bastard child, writes David Buchan

Prime Minister Edouard Balladur yesterday declared himself ready to do battle on behalf of French. Inaugurating a new term of office for the "Higher Council of the French Language", he told its 28 members that safeguarding French was "a political priority" of his government.

It is now quite clear that under Mr Balladur, a man whose love of subjunctives (used in expressions of hope or fear) perfectly expresses his *nuancé* style of government, France will soon have a new language law, along the lines of the draft already prepared by Mr Jacques Toubon, the culture minister.

Behind the government's Gallic counter-offensive, of course, lie both hope and fear. Its hope is to capitalise on its recent Gatt success in protecting France's system of subsidising and protecting its film industry, in a way that will prove politically popular in next year's presidential election. Mr Toubon happens to be the keenest supporter of Mr Jacques Chirac, Mr Balladur's rival for the Elysée.

The government's fear is that if it does not act soon to stem the rising tide of English or its bastard child, Franglais, it will be too late. The storm clouds are gathering from the north, with the imminent arrival of English-prone Scandinavians into the European Union threatening to tilt the linguistic balance in Brussels decisively in favour of Shakespeare's tongue and against that of Racine.

Mr Toubon's aides are quick to point out that their new bill is not like Quebec's controversial language law which banned the public use of any other language but French. Rather, they say, it is designed to ensure that French citizens, employees, and consumers get their information in French, though it may be accompanied by a foreign translation.

The bill is aimed at beefing up the provisions of a 1975 language law, which has been widely flouted, say Mr Toubon's aides, partly because the penalties of FFr300 (£34) to FFr600 for breaking it are now only the equivalent of a Paris parking fine. Since 1975, some 100-200 individuals and companies a year have been fined, mainly for labelling products or advertising jobs in a language other than French. In addition to sharply raising the level of fines, the new bill would enable *associations de défence de la langue française* to take those who infringe the law directly to court.

Gallicisms struggle to enter popular usage; certainly the sports ministry's prescription of a 'corner kick' in football as a 'coup de pied du coin' has not caught on

Mr Toubon's ministry has two particular targets in its sights. One is what it believes, apparently from employees' letters of complaints, is the growing tendency of French companies to issue instructions to their French staff in France in other languages. An unscientific check with some of France's biggest companies, such as the Alcatel group which does less than 30 per cent of its business inside France, is that some respond in English, either to boost their international image or to make their frequent foreign clients feel more at home.

But issuing internal instructions in English to French staff – says Air Liquide, the industrial gas group, which is suspected by Mr Toubon's ministry of doing just that – would be mad "because it makes good sense to communicate in a language that is understood".

The second and more substantive target of the Toubon bill is conferences, which would henceforth have to provide translation into French. This may pose problems for the French scientific community which increasingly works in English, the international *lingua franca* of exact science.

France's Academy of Science came out formally in January against any attempt to legislate in this field.

But Mr Michel Crozon, a physicist who also serves as director of communications for the CNRS, the body which funnels state money into French science, says real damage to French scientists' ability to communicate with their brethren abroad would only occur if the former were forced to publish in French.

Paris's famous medical research body, the Institut Pasteur, caused a domestic rumpus in 1989 by switching the titles of its publications into English, in recognition of the fact that less than 10 per cent of the manuscripts it was receiving from abroad were in French.

But it now also publishes a purely French journal as well as "encouraging" Anglophone authors to provide French précis of their articles – as indeed does the Academy of Scienceas a matter of course in its publications.

Imposing French, of course, begs the question of what is French. That is a matter for the Academie Française, set up in 1635 to guard the language, and, more recently for "terminology committees" set up by each ministry. Both are having a struggle to keep up with the advance of other languages, chiefly English.

The Academie Française has reached the letter "F" in revising its dictionary, while the ministerial committees invent 200-300 new approved Gallicisms each year.

But the new terms have an equal struggle entering popular usage; certainly the sports ministry's prescription of a "corner" kick in football as a *coup de pied du coin* has not.

West to push Moscow on withdrawal of ex-Soviet troops

Bonn talks on Baltic tension

By John Lloyd in Moscow

The foreign ministers of the three former Soviet Baltic states will meet today in Bonn with Mr Klaus Kinkel, the German foreign minister, amid growing concern in western capitals over Russian-Estonian relations as the deadline for the withdrawal of Russian troops from the territory approaches.

Mr Kinkel has called for Russia troops to be withdrawn from Estonia and Latvia on schedule, by August of this year.

The German minister said that the Russian side must not link the retention of the military units to the provision of civil or voting rights of the Russian population, as it has earlier threatened to do.

Similar calls have come in the past few days from the US and Britain. A US state department spokesman said over the weekend that the US government was "disturbed" by Russian negotiators raising again issues already agreed in previous talks with Estonian officials.

The issue of troop withdrawals from the Baltics will be part of talks planned between Russian foreign minister Andrei Kozyrev and Mr Warren Christopher, the US secretary of state, in Vladivostok next Monday.

Russia and the International Monetary Fund resume crucial loan negotiations in Moscow today with both their reputations on the line, Reuter reports from Washington. Moscow wants IMF endorsement of its credentials as a pro-reform government, while the Fund is seeking to justify its position as lead manager in helping Russia remake its economy in the capitalist mould.

Reaching agreement will not be easy. International monetary sources rate the chances of the two sides striking a deal on an economic reform programme that the IMF could back with a $1.5bn loan as no better than 50-50. Moscow's commitment to reform has been questioned following the departure of key reformers from the government in January, and the IMF has found itself criticised by the US and others for not doing enough to encourage Russian reforms. The IMF has already lent Russia $2.5bn, but has held back further credits because of doubts about Moscow's willingness to press ahead with economic reforms.

A British government statement said that "according to the final act of the Conference of Security and Co-operation in Europe meeting in Helsinki in 1992, Russia must withdraw its troops from Estonia quickly and in an orderly manner, completely, and must not tie withdrawal to other issues". The UK statement continued: "The international community has repeatedly underscored that the withdrawal must take place without any other conditions. Therefore, the Russian troops must be pulled out by August 31 this year, as announced."

Mr Vitaly Churkin, the Russian deputy foreign minister in charge of negotiations with the Baltic states, told the newly formed Chamber of Public Affairs, a presidential advisory body, that Russia did not link the rights of Russians to troop withdrawals.

However, he said that economic and other agreements with Latvia and Lithuania would be affected by a continued denial of rights.

According to the Baltfax news agency, Mr Churkin promised that "a civilised and respectful attitude" towards Russian language speakers would meet with "understanding and a response" from Russia.

However, other speakers at the chamber denounced the treatment of Russians and demanded redress.

Mr Mikhail Zadornov, a well-known actor, said that Russians were being denied access to education and medical care and were being sacked from jobs.

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EUROPEAN NEWS DIGEST

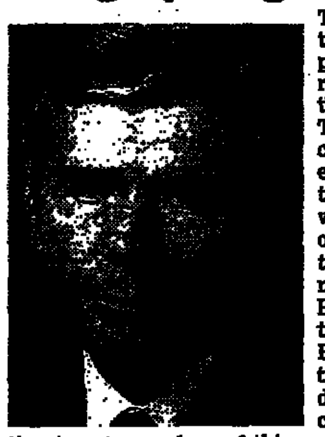
German economy forecast to grow by 1.5% this year

Germany's economy will grow by 1.5 per cent in 1994, according to a report published today by one of Germany's five key economic institutes. It said strong demand for exports and further investment would help lift the economy out of its worst post-war recession, even though domestic orders might continue to slide. Low wage deals should improve the prospects for economic growth, with lower interest rates helping to counteract their effect on consumer demand. Unemployment was likely to remain constant in 1994 and 1995, falling only in 1996, but a significant fall in the numbers on short-time working was expected before then, the report said. Mr Günter Rexrodt, economics minister, said in January that the economy would grow by between 1.0 and 1.5 per cent this year, but DIW, another think-tank, said the economy would shrink by 0.5 per cent. *Michael Lindemann, Bonn.* Unemployment rises, see Economic Watch below.

ILO warms to job agencies

The International Labour Organisation is set to abandon its long-standing opposition to private employment agencies following publication of a report recommending reform of ILO Convention 96. After pressure from the European Commission, several European countries, in particular Germany and Spain, are abandoning their tight controls on private agencies. However Italy and Greece continue to ban them completely. It may be several years before the ILO formally abandons Convention 96 – which, in 1949, recommended abolition of fee-charging employment agencies. But the report, written by Mr Sergio Ricca, and endorsed by the ILO secretariat, is a significant step towards phasing out the convention. Traditionally, opposition to private agencies is based on hostility to the idea of private companies making money out of unemployment and on the fear that state agencies will be left with hard-to-place workers. *David Goodhart, London.*

Hungary targets secret agents



The Hungarian parliament yesterday voted to force secret police agents and informers to retire from public life, with the threat of exposure if they do not. The move is part of a "justice" campaign by the right-wing government, designed to focus attention on the Socialists' past wrongdoings, ahead of elections on May 8. Mr Gyula Horn (left) the Socialist leader, has a commanding personal lead over Prime Minister Peter Boross in the opinion polls. However, Mr Horn served in the workers' militia that helped Soviet troops put down the 1956 uprising against communist rule. The new legislation targets members of this organisation as well as the secret police. The government has also begun arresting people accused of war crimes during the uprising and is to vet newspaper editors, believing the media to be "dominated" by former communists. *Nicholas Denton, Budapest.*

Information technology suffers

Europe's information technology industry suffered its worst year in 1993, and has only limited prospects for growth next year, according to a report from the European Information Technology Observatory, the commission's co-ordinating group for IT. Growth in the European IT market was 2 per cent in 1993, down from annual growth of 15 per cent five years ago. EITO said faster deregulation and a harmonisation of standards were essential to allow European groups to compete on equal terms with US companies. The US market grew by 7 per cent last year and now accounts for 37 per cent of the world market. Japan accounts for 16 per cent, compared with the EU's 29 per cent. However, with new markets opening up in eastern Europe and in technological fields straddling telecommunications and IT, EITO predicted that the Ecu262bn (£198bn) European IT market could grow by around 3.6 per cent in 1994. *Gillian Tett, Brussels.*

Dutch drop mobile phone tax

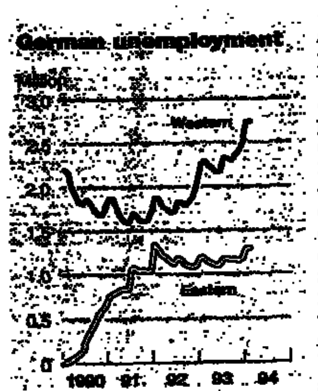
The Dutch government has dropped controversial plans to tax the profits of companies operating mobile phone networks. It is instead considering charging mobile phone operators for the use of radio frequencies. Koninklijke PTT Nederland, the state-owned telecoms operator, plans to launch a European GSM standard mobile communications network in July, and a second operator will be chosen by tender in late 1994. Mrs Hanja Maij-Weggen, public works minister, said consortia bidding for licences would be informed that Dutch policies on radio frequencies were under review and subject to change. However, legislation on the use of frequencies is not expected in time for the opening of bidding in the autumn, because of general elections on May 3. Several international consortia, grouped around the three main Dutch banks, ABN Amro, ING and Rabobank, are expected to compete for the second operator's licence. *Ronald van de Krol, Amsterdam.*

Czechs delay EU application

President Vaclav Havel said yesterday the Czech Republic would delay its application to join the European Union, foregoing a joint approach with Poland and Hungary. The Czech Republic wanted to join the EU as soon as possible, he said, but needed more time. Meanwhile, Mr Andrzej Olechowski, the Polish foreign minister, said it was not realistic for Poland to become a full EU member, because of the costs of extending the CAP and regional aid to Poland's huge agriculture sector, but it was vital for Poles to feel included in areas where the EU was building new institutions, such as common foreign policy. *Lionel Barber, Strasbourg.*

ECONOMIC WATCH

German unemployment rises



German unemployment rose slightly in February to a new post-war record of 4.04m, from the previous record of 4.03m in January. The pan-German unemployment rate was 10.5 per cent of the workforce. In western Germany the rate rose to 8.9 per cent in February, from 8.8 per cent in January, while the eastern German rate rose to 17.1 per cent, from 17.0 per cent in January. The increase in western Germany was below analysts' expectations and represented a slowing in the rate of increase. Unusually poor weather in the second half of February may also have contributed to the rise. However, revised figures for Germany's fourth-quarter gross domestic product showed a fall of 0.5 per cent from the previous quarter and a drop of 0.9 per cent from a year earlier.

- Seasonally adjusted unemployment rate in the European Union was 10.9 per cent in January, up from a revised 10.8 per cent in December and 10.0 per cent in January 1993. Among the under-25s, EU unemployment reached 21.1 per cent in January, up from 19.3 per cent in January 1993.
- Italy's private Isco economic research body forecast Italian GDP growth of between 1.2 and 1.3 per cent in 1994. The government target is 1.6 per cent, but Italy's chief accountant said the Isco forecast was realistic.
- Swiss car imports rose by 16.3 per cent in February 1994 to 21,521 cars, from 18,512 in February 1993. Total car imports for the first two months of 1994 came to 42,179, up 9.5 per cent from 38,531 in the same period of 1993.

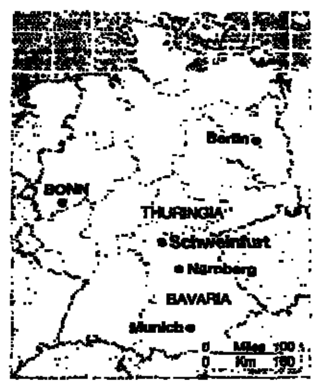
From rich city to Germany's poor-house

David Waller visits Schweinfurt, symbol of a loss of manufacturing industry's competitive edge

Within two years the city of Schweinfurt in northern Bavaria has gone from being one of western Germany's most prosperous cities to one of its poorest. From having a surplus of jobs, it now has 17 per cent unemployment, the highest in Bavaria and far above the 8.8 per cent for western Germany as a whole.

"Germany's poor-house" and "city of Angst" are just two of the labels which have stuck to the small city of 53,000 inhabitants since its troubles attracted the attention of the national media. Schweinfurt, close to the border with the former East Germany, has become a symbol of what can happen when western Germany's manufacturing industry loses its competitive edge.

Gudrun Grieser: 'The rude awakening has yet to come'



"The crisis in this city is worse than elsewhere in Germany," comments Mr Erwin Saal, head of the works' council at FAG Kugelfischer, the big ball-bearings manufacturer which has been the mainstay of employment in the city for more than a century. "But at the same time it is symptomatic of the hangover German industry has brought upon itself after more than 10 years of unbroken growth.

"In that time wages rose rapidly and the working week became the shortest in the world. As a result we have structural problems overlayed with deep recession – and nowhere in Germany is that more obvious than in Schweinfurt."

The city's past prosperity, and its current problems, are a result of the local economy's dependence on three big employers: Kugelfischer and SKF, two ball-bearings giants, and Fichtel & Sachs, the manufacturer of clutches, shock-absorbers and other vehicle components and which is part of the Mannesmann engineering conglomerate.

In the years since the Second World War the three acted as a magnet for employment throughout the Franconia region of northern Bavaria. The city's tax revenues, drawn from the big three's profits, were the largest in the prosperous state of Bavaria after Munich and Ingolstadt.

But more recently the big three have suffered – in especially acute form – the combination of high wage costs and the intensified competition from foreign manufacturers that has hit German industry so hard.

While the city's tax revenues have vanished, the companies' response to plunging order-books has been a wave of job-cuts on a scale never before seen in Schweinfurt. In the past two years about 7,000 people have lost their jobs.

The lay-offs at Kugelfischer have been especially traumatic. Since it came to the brink of collapse in January last year, the family-controlled company has reduced its total employees from 31,000 to 15,700 and sold off 13 subsidiaries. In Schweinfurt the group cut its workforce by 43 per cent, from 8,172 at the end of 1992 to 4,671 at the beginning of February this year.

"Nowhere in Germany has a company gone through so radical a restructuring," says chief executive Mr Peter-Jürgen Kreher. (The plans for the rationalisation were drawn up by Mr Kajo Neukirchen, more recently called in to sort out Metallgesellschaft, the deeply troubled Frankfurt conglomerate.) Kugelfischer's role as a provider of life-time employment from one generation of Schweinfurters to the next was smashed overnight.

"If someone had said two years ago that Kugelfischer would suffer this kind of fate, you would have been laughed out of court," reflects Mr Ernst Lang, head of the work's council at the Swedish-owned SKF, where the workforce has shrunk by nearly a quarter to 4,460 in the past two years. "I still don't think people here in Schweinfurt realise how serious it is. They are hopeful that something will turn up."

Many of those laid off were sent into early retirement and even those who were made redundant received generous pay-offs – in some cases as much as DM150,000 (£58,365). Mr Lang believes that many in Schweinfurt are suffering from an illusion of prosperity and that the real problems – and real poverty – will emerge in a few years when the pay-outs have been exhausted.

"The rude awakening has yet to come," agrees Mrs Gudrun Grieser, a former English teacher who has been the city's mayor since 1992. "I have no illusions: the jobs we have lost by the thousand will only be replaced by the dozen."

She warns about painting the picture too black, praising the skills of the city's well-trained workers and explaining how she has persuaded Bavaria's state government to commit DM100m to promote small business in the Schweinfurt region. "But the money can't be used – there just aren't enough worthwhile projects to invest in," she says.

The problem for Schweinfurt is that the incentives it can offer to draw new businesses into the region are nowhere near as generous as those on offer in the former East Germany, just 30 miles away. "After reunification the Ossis [east Germans] used to drive over here in their Trabants looking for jobs," muses Mr Fritz Glombowski, deputy head of SKF's works' council. "Soon it'll be the other way round and we'll be commuting to Thuringia."

Nakamura ready for battle

Prosecutors raid Japan MP's office

Japanese prosecutors moved against a national politician yesterday for the first time in their year-long investigation into widespread corruption involving the construction industry and the political establishment, Reuter reports from Tokyo.

The Tokyo District Prosecutor's Office raided the offices of Mr Kishiro Nakamura, former construction minister, whom they allege may have taken cash in exchange for quashing an anti-trust investigation into bid rigging among big builders.

Prosecutors set in motion a rarely-invoked constitutional procedure for stripping a lawmaker of his immunity from arrest. It would be the first time in 27 years that a Japanese lawmaker was subject to such humiliation.

But Mr Nakamura, from the conservative opposition Liberal Democratic party (LDP), said he was willing to be arrested and fight the charges. Earlier he had rejected repeated requests to show up at the prosecutor's office for voluntary questioning.

But yesterday he issued a statement through his lawyers, saying he was ready for a court battle. "I dared to opt for being arrested. I am determined to reveal the truth of the matter in court," he said.

"As for my arrest, I want the prosecutors to designate the time and date. I strongly hope to be arrested at the main entrance of the Diet [parliament] building."

Since the inquiry started in March last year, more than 30 executives of Japan's six biggest building companies have been arrested along with four local government leaders.

So far, no national politician has been arrested. Lawmakers cannot be arrested while parliament is in session. Normally anyone who comes under scandal allegations submits to voluntary questioning to avoid public exposure.

Justice Minister Akira Mikazuki described Mr Nakamura's case as "historic" and voiced his full support for the prosecutors. "This is a historic scandal. I believe it will turn the history of Japanese politics," Mr Mikazuki said. The LDP ruled Japan for 38 years but lost its majority in general elections last year, ceding power to a coalition headed by Premier Morihiro Hosokawa.

"This is a very serious matter for our party," the LDP parliamentary business manager Mr Sadatoshi Ozato said.

The LDP has launched a campaign against Mr Hosokawa, attacking him for bungling the economy, botching a US-Japan trade summit meeting and failing to settle divisions within his coalition. Mr Nakamura's status in the once-dominant party might explain why prosecutors singled him out first among 12 national politicians said to be on their list.

Steel manufacturers suffer an identity crisis

Michiyo Nakamoto reports on an industry embarrassed at having to omit dividends

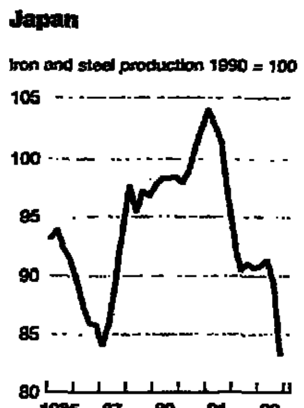
For Japan's steel companies, which pride themselves on being the pillar of the country's industrial might, being forced to pass their dividend is an embarrassment they have not had to suffer since just after the Second World War.

"We must grit our teeth and do our best," Mr Matao Kojima, executive vice president of Sumitomo Metal Industries said yesterday after an announcement by the five big steelmakers that they all expected to incur losses in the year to the end of this month.

The steel industry has found itself in these dire circumstances just four years after production levels reached a peak of 110m tonnes. At the time, the strength of demand from Japan's surging domestic economy was enough to halt fundamental restructuring programmes the industry had embarked on to cut overcapacity and prepare for leaner years ahead.

With those reforms left incomplete, the industry has suffered a crippling slump in demand from its big customers in the domestic motor vehicle, electronics and construction industries as Japan's economy has continued its relentless slowdown.

The weakness of consumer demand and the yen's sharp rise took their toll on the motor and electronics industries which in turn depressed demand for the steelmakers' products. Meanwhile, in the construction sector, private activity, with the general exception of private housing, has been slack.



Source: Datastream

On the export front, Japanese steel makers have faced pressure in the US as a result of anti-dumping action by the American industry. Even before the US authorities made any official decision, fears of anti-dumping action had led to uncertainty about supplies. Baring Securities estimates exports to the US over the year will be down about 25 per cent.

Even a relatively bright spot – the surge in exports to China – will not have the uplifting impact on earnings that might have been hoped for. While exports to China will be up about 100 per cent from a year ago, when Japanese exports to that country had reached a record high, these have been low value-added products which served not so much to raise profits as to keep the facilities of Japanese mills on stream.

Perhaps the most telling illustration of the severity of the steel makers business slump is the securities sales they are being forced to make to minimise their losses. The companies are having to turn their backs on their traditional ties, cemented by equity holdings, with financial institutions and business customers and to sell at a time when share prices are low. Nippon Steel will sell about Y66bn (£430m) worth of securities holdings and Kobe Steel some Y31bn.

To cope, the companies are reviewing ambitious diversification moves – into areas ranging from semiconductor production to liquor importing and flying instruction. Nippon Steel has pulled out of loss-making notebook computer sales while Kawasaki Steel is in negotiations to sell its silicon wafer production venture. More changes in non-core business plans are expected to follow.

Costs are being attacked widely through significant cuts in jobs, capital expenditure and distribution. Kobe Steel intends to cut its labour force by about 3,800 while Kawasaki Steel will reduce 30 per cent of its managers.

While in large part, job reductions will be achieved through natural attrition and transfers to subsidiaries "there are no sacred territories in our bid to reduce costs", Sumitomo's Mr Kojima said yesterday.

Japan's steel companies have yet to address the structural problem of overcapacity which is at the root of their difficulties and is likely to maintain pressure on profits. While the Japanese steel industry has capacity of about 110m tonnes, even the steel companies themselves admit that demand for their products is likely to range between 90m and 95m tonnes.

"It's always the most terrifying, the most expensive thing that is left to the very end," says Mr Stephen Wolfe, steel analyst at Baring Securities. The Japanese steel companies have concentrated their efforts on cutting people, or raising production efficiencies, but that does not address the fundamental problem of collapsing prices, Mr Wolfe notes. For that, it is necessary to reduce capacity "and to make sure people are scrambling for steel."

While any moves to cut capacity were virtually ruled out by Nippon Steel, which, as industry leader, has historically set a model for the others, Mr Wolfe is not counting out the possibility that the four other companies may be considering such a move. Their decision to pass their dividend in spite of Nippon Steel's determination to pay one may be an indication that the mighty Nippon Steel is losing its leadership, he believes.

If that is the case, and Japanese steel makers are preparing to map out a more independent course, each for their own survival, the industry could emerge from its present predicament in much better shape.

While they face growing competition from South Korean and other low cost producers at the lower end of the market, their ability to produce high quality products, such as cold-rolled steel sheet used in the car industry, remains unchallenged.

"The future of steel as a product is not over," says Mr Kojima. "In terms of technology Japan outdoes the rest. As long as we are competitive we can survive."

Bank puts up cost of long-term corporate borrowing

By Emiko Terazono and William Dawkins in Tokyo

The cost of long-term funds for Japan's hard-pressed corporate borrowers is to rise, despite the central bank's policy of keeping official interest rates at a record low.

The Industrial Bank of Japan, the leading long-term credit bank, yesterday announced it will raise its long-term lending rate to its most credit-worthy corporate clients by 0.6 percentage points to 4.4 per cent from tomorrow, the second increase in two months.

Other commercial banks are expected to follow suit and raise interest rates on long-term loans next month. IBJ's long-term prime rate is regarded as a benchmark for the industry. Its 0.3 percentage point rise to 3.8 per cent in February ended an eight-month decline in long-term rates, arousing concern at the Bank of Japan. The central bank is under increasing pressure to cut its 1.75 per cent official discount rate to stimulate flagging demand.

Yesterday's move will intensify fears that the Japanese economy's capacity to recover might become hampered by a lending squeeze. Even before the latest rise, companies told an IBJ survey that they planned to cut capital investment this year for the third year running, the longest decline since the second world war.

IBJ's decision reflects a recent rise in the long-term bond yields, due to a fall in prices caused by an oversupply in the Japanese government bond market and the rise in US interest rates. Japan's bond market has faced a huge sell off recently, as investors locked in profits ahead of the March book closing.

The turmoil on global bond markets and fears of an increase in bond supply to finance the economic package and tax cuts announced last month, has exacerbated the fall.

The Bank of Japan has become increasingly worried that the rise in corporate lending rates will hurt corporate earnings, hampering economic recovery.

To ease the downturn in the government bond market, it has led short-term money market rates lower over the past few weeks and the yield spread between the discount rate and the overnight call rate is currently at a historical low.

Israelis in court over share scandal

By Julian Ozanne in Jerusalem

Three Israeli bank officials appeared in a Tel Aviv magistrates' court yesterday in connection with a share and bond price manipulation scandal on the Tel Aviv Stock Exchange.

They are the latest in a line of brokers and fund managers to be interrogated since a big investigation of alleged insider trading and share manipulation was revealed last month by the Israel Securities Authority. Many more are said to be under investigation.

The unfolding of what is potentially the biggest share manipulation scandal since the 1983 bank shares collapse has sent jitters across the stock market, which has plummeted this year.

The worst affected stocks have been the smaller capitalised companies quoted on the Karam index, which are more easily subject to manipulation. Since the middle of January the Karam index – which had a powerful bull run last year – has plunged about 27 per cent while the Mishtanim two sided index of the 100 heavily capitalised companies has fallen about 12.5 per cent.

Mr David Rosenberg, a market analyst at Pacific Mediterranean Investments, said yesterday that in the short-term the investigation was having a marked downward effect on the market.

However, he said the investigation would have a long-term benefit because "it improves the credibility of the market. The key thing in any securities market is that traders feel they are operating on a level playing field. Enforcement by the Securities Authority will be especially good for foreign investors."

● Israeli police said yesterday they had arrested four out of five leaders of anti-Arab groups wanted in a government crackdown on Jewish militants since the Hebron massacre, Reuter adds from Jerusalem.

See World Stock Markets

Protests hit S African black 'homeland'

By Patti Waldmeir in Johannesburg

Riot police fired live ammunition on demonstrators in the nominally independent black "homeland" of Bophuthatswana yesterday as strikes and anti-government protests swept the capital, increasing political pressure on President Lucas Mangope.

In the capital, Mmbatho and its twin town of Mafikeng, security forces for a second day fired tear gas and rubber bullets to disperse demonstrators. Earlier in the day, riot police stormed the broadcasting centre after the Bophuthatswana Broadcasting Corporation's chairman – Eddie Mangope, son of the president – was locked in the building by striking workers.

The occupation of broadcasting centre and demonstrations were part of a growing series of protests against Mr Mangope, who is resisting South Africa's transition to black majority rule and has refused to register for next month's all-race elections.

The protests began with a civil servants' strike, sparked by demands that their pensions be paid out before the April elections, after which Bophuthatswana will cease to exist as it will be reincorporated into South Africa. Civil servants feared the homeland would use their pension fund to pay government expenses if financial transfers from Pretoria – which account for about one-third of Bophuthatswana's budget – were cut to put pressure on Mr Mangope to take part in elections.

The Transitional Executive Council, the multi-party body which oversees South Africa's transition to democracy, believes it has the power to cut off funds to Bophuthatswana, though this has not yet been tested.

Since then, the strike has widened into generalised demonstrations against Mr Mangope, encouraged by the African National Congress which wants him to accept the elections, having failed to negotiate the regional powers which Bophuthatswana and other right wing groups wanted in exchange for poll participation.

Mr Mangope has so far refused to allow campaigning in the homeland. ANC President Nelson Mandela said it was only a matter of time before action was taken against him. The ANC has urged President F.W. de Klerk's government to halt all financial aid and supplies to Bophuthatswana to force it to participate in the elections.

A train lies alongside the tracks after leaving the rails in a heavily wooded valley near Durban yesterday. At least 63 mainly black commuters were killed and 370 injured when the train, crowded with about 850 passengers, crashed on a bend. AP

Nigeria currency allocation cut

By Paul Adams in Lagos

Nigeria's acute foreign exchange shortage forced the country's central bank yesterday to cut its weekly allocation of hard currency, prompting fears that the government's foreign exchange policy will lead to declining production, profitability and investment.

The Central Bank of Nigeria's second allocation this year of foreign exchange to industry fell from \$200m (£111m) a fortnight ago to \$100m.

Foreign exchange has been in short supply since December 1992; some manufacturers say stocks of raw materials and spare parts have been declining and replacement or new plant is overdue. The 10-week gap between the last allocation in 1993 and the first in 1994 worsened the problem. Bankers say the expected average of \$50m a week will remain well below demand.

Bulk orders of spare parts or raw materials can be scaled down in proportion, but this is little use when importing costly capital goods. Importers can no longer make up the difference with export proceeds sold at market rates. Prospective foreign investors have been deterred by the new policy, which has ruled out agreement with official external creditors.

"This is a very serious situation," a leading manufacturer warned yesterday. "We have had a disruption of almost three months, then a new system which is not working well enough. No reasonable stock cover can cope with continuing under-supply of foreign exchange. Businesses are already thinking of scaling down production by April."

In the first budget presented by Gen Sani Abacha, Nigeria's military leader, the government in January set out to ensure an adequate supply of currency to industry and control inflation.

Like last year's currency auctions, the allocation is pro rata according to demand, which encourages inflated applications. The 1994 budget pegged the exchange rate at N22 to the dollar, more than double the value of the black market naira, banned the open foreign exchange market and cut interest rates to 21 per cent, less than a quarter of the estimated inflation rate.

Some manufacturers say the CBN is making the best of a difficult situation. It has fought off pressure for ministers or civil servants allocating all forex direct to each end-user. This would have taken Nigeria back to the days of export licensing in the 1980s.

NEWS IN BRIEF

Hussein hopes to meet Fahd

King Hussein of Jordan led a delegation to Saudi Arabia yesterday, on his first visit to the kingdom since relations deteriorated because of the 1990-1991 Gulf crisis, James Whittington writes from Amman.

Jordan's media reported the king had left for Saudi Arabia to perform the Ummra, a minor Moslem pilgrimage. But officials acknowledged he was seeking a meeting with King Fahd. One western diplomat in Amman described the trip as "significant".

It demonstrated Jordan's desire to achieve a rapprochement with the Saudis, still bitter over King Hussein's refusal to back the US-led effort to force Iraq out of Kuwait in early 1991.

Kazakhstan poll condemned

An official European observer team yesterday condemned Monday's parliamentary elections in ex-Soviet Kazakhstan, saying the system of preventing abuses was flawed and government-sponsored candidates enjoyed a built-in advantage, Steve LeVine reports from Alma Ata.

The team, representing the Council for Security and Co-operation in Europe, stopped short of calling the elections rigged. But it said election procedures allowed such abuses as ballot-box stuffing, and that the pre-election campaign handicapped independent candidates.

The election was to fill a new 177-member parliament that will replace a larger legislative body dissolved in December.

Angola presents budget

The Angolan government yesterday presented a \$1.7bn (£944m) budget heavy on defence spending but seen as a step towards economic reform, Reuter reports from Luanda.

The 1994 economic plan presented to parliament by the Luanda government, fighting renewed civil war with Unita rebels, sets an annual inflation target of 260 per cent by December, down from the 1,840 per cent registered this previous December 1993. The plan envisages 2.5 per cent GDP growth in 1994.

Christopher attacks China over human rights

By Tony Walker in Beijing

China and the US yesterday toughened their war of words on China's human rights record, souring the atmosphere for this week's visit to Beijing by Mr Warren Christopher, US secretary of state.

Mr Christopher, using his harshest language so far about China, expressed "strong distaste" over Beijing's recent harassment of dissidents and said the security sweep would have a "negative effect" on his visit and on the US review of China's favourable trade status.

China lashed back at criticism from President Bill Clinton and earlier remarks by Mr Christopher about the arrests of three dissidents and the overnight interrogations of at least 12 more, calling the US complaints "irresponsible". Beijing police, only hours later, showed they were not deterred by US criticism by taking away Mr Wang Dan, a student leader of the 1989 Tiananmen protests, for questioning. He was later released.

Asked to comment on Mr Clinton's criticism of the recent detention of leading dissidents, a Chinese Foreign Ministry official said: "No foreign country, organisation or individual has the right to make irresponsible remarks or interfere".

Mr Clinton said last week after China's leading dissident, Mr Wei Jingsheng, was detained that "we strongly disapprove of what was done and it is obviously not helpful to our relations". Mr Christopher, who is visiting Australia, has said that human rights issues will top the agenda of his talks in Beijing with China's Foreign Minister Qian Qichen.

China last week provoked an international outcry when it began rounding up dissidents including Mr Wei who served more than 14 years in jail for his role in the "democracy wall" protests of the late 1970s.

Mr Christopher's visit to China comes at a delicate moment in Sino-US relations; a decision is pending on renewal of China's Most Favoured Nation (MFN) status in the US market. Mr Clinton has demanded "progress" on human rights before agreeing to renew MFN. A decision is due by June on the lower tariff regime for an estimated 96 per cent of Chinese products entering the US.

China has repeatedly denounced attempts to link trade and human rights, and this is certain to be Beijing's prevailing message this weekend. "Human rights and MFN are completely separate issues. We strongly oppose linking them," Mr Qian said recently.

The authorities seem to fear that dissidents will use the National People's Congress or Mr Christopher's visit to bring their cause to international notice by circulating petitions calling for increased political freedom.

The Public Security Bureau, in a rare public statement, denied it was intimidating dissidents. It said Mr Wei and Mr Wang Dan were not in detention. Only Mr Zhou Guogiang (a labour leader and lawyer), Mr Yuan Hongbing (a lawyer), and Mr Wang Jiaqi had been detained and were "being investigated".

Cool hand guides Whitewater raft

Clinton hopes Cutler will let him ride political rapids, writes Jurek Martin

Two Democrats, both lawyers, stand in a league of their own as heavyweight troubleshooters with enormous Washington reputations. One is Mr Robert Strauss, now 75, at various times national party chairman, special trade representative and ambassador to Moscow under President George Bush.

The other is Lloyd Norton Cutler, whose clout and access to the upper reaches of government far exceed the governmental positions he has nominally held during nearly 50 years in Washington.

Born in New York and a Yale Law School graduate like the president and Mrs Hillary Rodham Clinton, this urbane, witty and charming man is a fixture on the social circuit and in the political backrooms that used to be smoke-filled.

His law firm, Wilmer, Cutler and Pickering, which he helped found in 1962, is a star in the Washington legal firmament, its domestic and foreign clients generally of the blue chip variety, its lawyers always in and out of government.

Mr Cutler's personal and political briefs have long been at the cutting edges of US domestic and foreign policy. He was active in the civil rights movement and other liberal causes, a member of the 1968-70 Eisenhower commission on the prevention and causes of violence, the unpaid co-ordinator of President Jimmy Carter's attempts to get the Salt Two treaty ratified and a frequent commentator on constitutional and ethical issues.

Earlier this year he was the principal lawyer in the case that successfully overturned the Washington State law imposing term limits on elected representatives.

But, to combat political "gridlock," he has also advocated a constitutional amendment to co-ordinate the congressional and presidential election cycles by giving House members four-year terms, not two, and senators eight, rather than six.

But there is an unpredictable streak, too. In 1987 he offended many liberal friends by coming to the defence of Mr Robert Bork, President Ronald Reagan's conservative Supreme Court nominee ultimately rejected by the Senate. In 1992, along with another Democratic eminence grise, Mr Paul Nitze, he gave some advice to Mr Ross Perot prior to his independent presidential candidacy.

His appointment as White House counsel is reminiscent of the circumstances of August 1979. The Carter administration was already in trouble even before the Iranian hostage crisis and its White House legal counsel, Mr Robert Lipshutz, under fire for taking too narrow a legal view of his responsibilities.

The same criticism is now levelled at the departing Mr Bernard Nussbaum, whose resignation was announced at the weekend, and at the general White House staff with its heavy component of old friends of the president.

Last summer, when also under attack after a series of mishaps, Mr Clinton reached into the Washington establishment to appoint Mr David Gergen, denizen of Republican White Houses, as a senior adviser.

The improvement in presidential fortunes owed not a little to this move, although Mr Gergen is now less visible and is frequently reported to be thinking of moving on.

Mr Cutler's second White House term may not be long either. It may not even last until Mr Robert Fiske, the independent counsel investigating the Whitewater affair, produces his report next year or the year after. But if he gets the White House show back on the road in the meanwhile, he will have earned his stripes yet again.

Congress embarks on health bill draft

By George Graham in Washington

Congress yesterday took its first tentative step towards putting together a healthcare reform bill when a House of Representatives panel sat down to try to draft legislation.

The subcommittee, a healthcare panel of the influential Ways and Means Committee, is chaired by Congressman Pete Stark of California, whose own proposal for reform is somewhat to the left of the plan put forward by President Bill Clinton's administration.

Mr Stark wants to add a new category to the government-run Medicare programme which now provides health insurance for the elderly, to cover both the poor and unemployed, including those now included in the parallel government Medicaid programme.

The new Medicare category would also be open to companies with up to 100 employees, who would, if they chose this option, have to pay 80 per cent of the premium for their employees.

Controversially, Mr Stark also proposed yesterday a 0.8 per cent payroll tax to raise $24bn a year, on top of the tobacco tax increase advocated in the Clinton plan, to pay for some of the cost of expanding health insurance to cover the entire US population.

While Mr Stark's proposal is seen by many members of Congress as redolent of the kind of state-run medicine that provokes goosebumps among US doctors, patients and politicians alike, its strength is that it is built on Medicare, which is not only familiar but also generally popular among the groups it serves.

Although the proposal differs in many respects from Mr Clinton's ideas, which are based on health alliances to purchase insurance, White House officials appeared happy that the Ways and Means subcommittee was at least setting the legislative ball in motion.

Other subcommittees which have jurisdiction over parts of the healthcare reform package have deadlocked, and the entire issue of reforming the system has lost momentum.

Further complicating the task is the current preoccupation with the WhiteWater financial affair, which has not only absorbed all the energies of a good portion of the senior White House staff in recent days, but also cast an unfavourable light on Mrs Hillary Clinton, who has been the administration's principal spokesperson on health reform.

Mr Clinton yesterday expressed his optimism that a health care reform bill will, in the end, pass the Congress.

Clinton: under pressure over Whitewater from all sides Reuter

Banco Latino 'a victim for political reasons'

By Joseph Mann in Caracas

The former president of Venezuela's Banco Latino, taken over by the government in January, says the bank was victimised for political reasons and was in no worse shape than other banks the government has chosen to save.

Mr Gustavo Gomez Lopez said the decision to intervene at the bank was made by the country's previous government under President Ramón Velásquez "more for political than technical reasons".

Latino, Venezuela's second biggest bank, was seen by Mr Velásquez' interim government as having aided the political and personal fortunes of ex-president Carlos Andrés Pérez, he added.

Mr Pérez, forced to leave the presidency last year to face corruption charges, had a long and close association with important shareholders of the bank.

Mr Gomez, speaking by phone from an undisclosed location outside Venezuela, said: "The government intervened in my bank and I am now seen as a criminal. But in the case of other Venezuelan banks suffering from liquidity problems, the government is providing them with financial aid and is not prosecuting anyone."

He admitted Banco Latino was in trouble, but "it was no more problematic than other Venezuelan banks. When I took over I raised capital and tried to change the bank from what it had been."

Mr Gomez, 43, resigned as president of Banco Latino in December after 18 years at the bank and 14 months as chief executive. He left Venezuela soon after, he said, because friends warned him he would be a target of persecution. "I didn't want to be held in a police cellar incommunicado. I'll return to Venezuela when the [political] climate changes".

Last week, a criminal court judge in Caracas issued arrest warrants against Mr Gomez and 82 others suspected of being involved in the downfall of the bank. Latino's failure set off a crisis in Venezuela's financial system and triggered a wave of frantic dollar purchases in January and February. Mr Gomez, who said he is not guilty of any wrongdoing, is charged with illegal appropriation, fraud, conspiracy and approving false financial statements.

Venezuelan taxes to be reformed

By Joseph Mann in Caracas

The Venezuelan cabinet yesterday sent a series of tax bills to Congress aimed at cutting the public sector deficit, which last year reached 3.6 per cent of gross domestic product.

The bills cover several areas. A general sales tax, covering imports and other activities at the wholesale level, is planned to replace a value added tax brought in in October 1993.

The maximum rate for corporate and personal income taxes is being raised from 30 per cent to 34 per cent. At the same time the number of income tax deductions is being reduced.

Two new taxes are being proposed: a levy on all debit transactions at banks and a luxury tax of 10, 20 or 30 per cent, depending on classifications to be issued by the government.

Venezuela's motor industry is bracing itself for lower sales, expecting the luxury tax to raise prices considerably on its profitable, high-priced vehicles.

The government is proposing some changes in existing tax laws, for example lowering high fees established last year for certain government services and introducing stricter penalties for tax evasion. It plans to set up an independent agency to collect taxes and reduce tax evasion, put at 70 per cent in recent years.

Pentagon bans smoking

By George Graham in Washington

After Britain's Royal Navy abandoned the rum ration, it was perhaps only a matter of time before the US armed services stopped smoking.

That time came yesterday when the Pentagon announced a workplace smoking ban.

The new policy will still allow soldiers and sailors to light up a cigarette in designated areas of military barracks, clubs and restaurants, but will rule out Pentagon offices and hallways, as well as the inside of a tank or aircraft.

Smoking below the decks of US Navy ships has already been virtually outlawed.

The armed forces have traditionally smoked much more than the population at large, and despite aggressive steps to curb smoking, the rate of addiction remains high.

Navy officials said around 37 per cent of Navy personnel were now smokers, compared with around 27 per cent in the general US population.

The move was therefore welcomed by anti-smoking campaigners, who have been pressing for tougher curbs on smoking in the wake of the Environmental Protection Agency's recent decision to classify passive smoking as an environmental hazard.

Some shopping malls and restaurant chains, including McDonald's, have banned smoking on their premises, and legislation is being debated in Congress that would bar cigarettes from all public buildings.

Tobacco companies also face scrutiny over reports that they add nicotine to their products in order to maintain addiction – a charge that has led the Food and Drug Administration to consider regulating cigarettes as a drug.

Justice Department officials are also conducting a monopoly investigation into allegations that tobacco companies agreed to keep a cigarette which presents less of a fire hazard off the market.

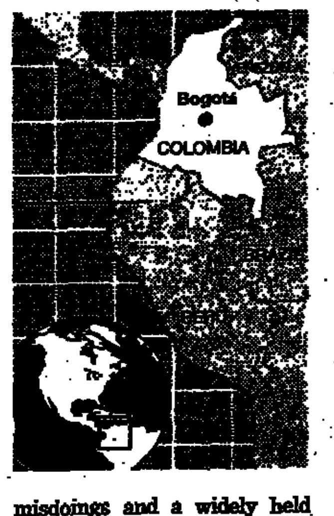
The tobacco industry, facing a steep increase in cigarette taxes as part of US healthcare reforms, is not taking this lying down. Philip Morris, the tobacco conglomerate, shut down one of its largest plants yesterday to bus its workers to Washington to demonstrate against the tax rise.

Violence mars road to Colombia elections

Sarita Kendall on the congressional campaign trail

If more elections and more contenders are a sign of greater democracy, then Colombia is doing well. There are 926 slates of candidates registered for congressional elections on Sunday, when the official Liberal party presidential candidate will also be chosen.

However, at least 10 congressional candidates have been killed, kidnapped or injured during the campaign. One sociologist calculates that elections in more than half Colombia's municipalities are affected by guerrilla violence.



The proliferation of congressional lists seems to be more a measure of the atomisation of the two main parties than of democratic vigour. In the south-western department of Valle, for example, more than 25 Liberal groups are competing for the 13 seats.

The power of the regional chiefs has broken down and the new voting card makes it more difficult to buy votes than it was in the past. Even a young political party such as M-19, the former guerrilla movement, is suffering from disunity and presenting three slates in Valle.

Given that so many candidates are unknown and have little more than a slogan for a programme, the Liberal party of current president Cesar Gaviria is trying to capture voters with vague, feel-good publicity.

Abstention normally varies from about half to two thirds in Colombian elections; this time the large number of investigations into congressmen's misdoings and a widely held assumption that drug money helps fund many campaigns have reinforced disillusionment with politics. However, the Liberal party holds, and will probably retain, a comfortable majority in both houses.

In the race for the Liberal party presidential candidacy, the winner is virtually certain to be Mr Ernesto Samper, who is far ahead of his Liberal rivals in the opinion polls. The first round of the presidential elections will take place on May 8, followed by a second round on May 29 if no candidate wins an outright majority.

Mr Samper has been on the campaign trail since the middle of last year, but his Conservative party opponent, Mr Andres Pastrana, launched himself into the race only last month. Although some opinion polls give Mr Pastrana a clear advantage, others put Mr Samper slightly ahead.

A Liberal presidential victory is less likely to guarantee continuity in economic policy than a Conservative one. While both candidates stress social spending to offset the effects of opening up the economy, Mr Pastrana leans further towards wanting to attract foreign capital, privatisation and joining the North American Free Trade Agreement.

Mr Samper is staking a lot on an ambitious employment programme linked to economic growth rates of more than 5 per cent a year. Arguing that poverty and violence go with unemployment, he hopes to create 1.5m jobs over the four-year term through sectoral plans for agriculture, the modernisation of industry, exports and small businesses.

Although they both say they would like to be remembered for bringing peace to Colombia, neither Mr Samper nor Mr Pastrana has come up with a considered strategy for reducing violence. Both agree that dialogue is still an option and the government is currently talking on three fronts – with splinter groups from the main guerrilla armies, with drug traffickers and with urban militia organisations.

However, the attempt to bring the guerrillas into the democratic system will be hampered by the experience of former Maoist guerrillas who chose the democratic path and founded the Hope, Peace and Freedom party: 140 of them have been killed.

US losing hope as tariff rows continue

By Nancy Dunne in Washington and Frances Williams in Geneva

US trade officials are losing hope for any significant gains in the final drive to negotiate tariff cuts in the Uruguay Round beyond those agreed last December 15.

Countries taking part in the Uruguay Round of trade-liberalising talks are still wrangling over the details of individual tariff schedules, three weeks after the negotiations should have finished.

With the signing of the Round set for April 15 in Marrakesh, the negotiations have entered the "verification stage" on tariffs, which is supposed to address only technical changes.

However, the US, Japan, EU and Canada – the so-called Quad countries – continue to wrangle over tariff cuts on wood, white spirits, copper, and aluminum. The only deal in sight is a cut in Japan's copper tariffs to the equivalent of 5 per cent.

Trade officials in Geneva said yesterday that talks, mostly bilateral, were continuing to try to sort out remaining differences. These mainly concern items where tariff concessions shown in the submitted schedules do not match what countries thought they had achieved in earlier negotiations.

More than 60 schedules have been submitted, with 22 still outstanding. Least developed countries are not obliged to submit schedules at this stage.

A US official said Japan and the EU had continued to block progress by refusing to cut their most sensitive tariffs. March 25, the date set by the Gatt secretariat as the deadline for submission of final tariff schedules, is now seen as the final deadline for the market access talks.

Progress on wood, particularly, would be "a good thing" for US-Japan relations, the official said. A 50 per cent reduction over five years has been agreed, but that will still leave Japanese wood tariffs at 6 per cent. The US industry has even joined the fray, buying advertisements in Japanese newspapers claiming that a tariff phase-out would bring the cost of housing down by 20 per cent.

Signatories still wrangling over Uruguay Round cuts

At a meeting of negotiators yesterday in Geneva, convened to discuss the schedules, Japan repeated complaints that the US had withdrawn earlier offers on films, electronic products and non-ferrous metals. EU officials on Monday expressed disappointment over US tariff reductions on copper and trucks.

Japan is also unhappy about the EU's offer on televisions and video cameras, while Indonesia and Malaysia have complained about the link between lower EU wood tariffs and a lifting of their restrictions on export of raw logs.

Concern was voiced yesterday about a US "headnote" in the textiles and clothing section referring to Washington's intention to pursue talks with some exporting nations, such as India and Pakistan, to reduce their import barriers. The US stressed this was not being made a condition for tariff reductions.

However, it urged US negotiators to pursue "aggressively" further tariff cuts to enhance "significantly the economic benefits of the Uruguay Round".

The meagre results of these final talks are a severe blow to US industry.

The influential Advisory Committee for Trade Policy and Negotiations, a business and labour panel appointed by the president, said further tariff cuts were vital.

The textile industry is even more insistent on progress. Mr Henry Truslow, president of the American Textile Manufacturers' Institute, threatened last week to oppose the trade pact in Congress unless the US won "critically needed market access commitments from countries which today flood US markets with their clothing and textile products".

Although market opening offers have been received from Malaysia, Chile, the Czech Republic and Slovakia, no tariff cut offer has been received from Pakistan. India has offered small cuts, which US officials dismiss as inadequate.

"Time is running out," said Mr Truslow. "We see no progress on making the major offenders agree to open their markets.

"It is time for our government to take a stand and say the US will not phase out its Multifibre Arrangement quotas for countries which keep their markets closed."

Central America's 'model' accord

Damian Fraser on an 'advanced' trade deal between Mexico and Costa Rica

The free trade agreement that Mexico and Costa Rica provisionally concluded last week has been described as the most advanced between two Latin American countries.

It will eventually remove tariff and most non-tariff barriers to trade in goods and services between the two countries; offer national treatment to investors from each country; set rules on intellectual property rights; ease movement of workers between the two countries; and provide for a panel that resolves disputes arising out of compliance with the accord.

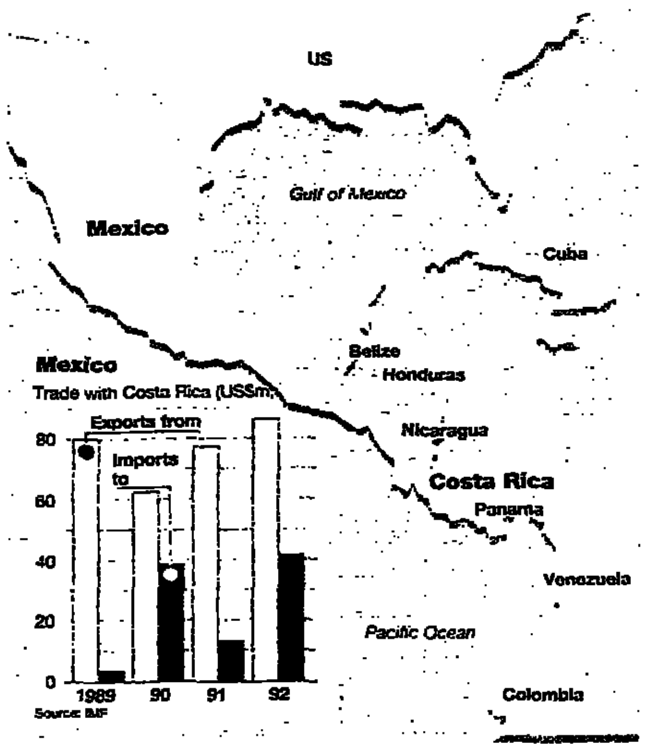
Both countries predicted that the agreement would significantly boost Mexican-Costa Rican trade, which stood at $215m (£147.2m) last year.

However, by giving preferential access to each other's markets, the agreements will hurt the two countries' existing trade partners, especially other central American states.

The negotiations were formally wrapped up last Thursday night, and the text is being written up by lawyers. Mexico's Trade Ministry expects the agreement to be ready in four to six weeks and to be signed by the respective presidents soon after.

The treaty will take effect from January 1 next year. Mexico's Trade Ministry said Mexican exports of goods that Costa Rica did not produce would be able to enter Costa Rica duty-free from next year. This covers about 80 per cent of Mexican exports, currently at tariffs of about 20 per cent.

Tariffs on the remainder of Mexican exports will be reduced over five, 10 and – for the most sensitive products – 15 years. Mexico in turn will allow a majority of Costa Rican exports to enter duty-free in five years or less.



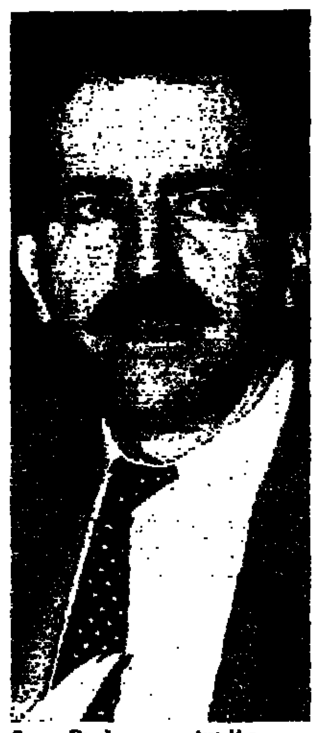
Mr Jaime Serra Puche, Mexico's trade minister, said the agreement was "... without a doubt, one of the most advanced trade agreements between any Latin American countries".

He said the pact established "a strong rule of origin that requires goods to be made with inputs of the region; that is to say from Costa Rica or Mexico, and that this is an important opportunity for Mexican suppliers of inputs and primary materials, since Costa Rica's supply industry is not well advanced".

Mr Roberto Rojas, Costa Rica's trade minister, described the pact as the first step toward Costa Rica's accession to the North American Free Trade Agreement between the US, Mexico and Canada.

An official from Mexico's Trade Ministry said products would have to contain 50 per cent regional content to be considered Costa Rican or Mexican and free of tariffs. As Mr Serra Puche made clear, such a rule of origin would encourage Costa Rican companies that export to Mexico to source from Mexico rather than neighbouring countries.

"What this accord is promoting is alliances and not competition between Mexico and Costa Rica," said the official. "What we are looking for is that Costa Rican and Mexican businessmen work together."



Serra Puche: opportunity

This is the latest of a series of trade agreements in Latin America. Trade experts from the region meeting in Santiago last week were warned in a report from the UN Economic Commission for Latin America that there were risks in such agreements, in particular bilateral ones.

It said the benefits of such deals "were fewer when integration agreements involve countries that are only minor trading partners". It argued there was a "possibility that bilateral (or even broader) integration agreements signed within the region might have restrictive effects".

With low tariffs such as those that prevail in Latin America, the benefits of such trade agreements were fewer, it said, and the accords could include other aspects – such as rules of origin – that might discourage trade rather than promote it.

It further suggested that the emergence of certain "hub" countries, with which most bilateral agreements were concluded, "can also create incentives for the polarisation of investment in these countries".

Mr Serra Pucho hoped the agreement with Costa Rica would provide a model for similar accords between Mexico and remaining central American countries, over which negotiations were continuing.

Mexico's trade minister expects to meet this month with counterparts from Colombia and Venezuela to discuss their free trade agreement. The three countries had hoped to sign the treaty in January before President Rafael Caldera of Venezuela took office. Although Mexico claimed in December that negotiations had concluded, last-minute differences over rules or origin for chemicals and textiles made signing impossible, however.

The new Venezuelan government, less keen on free trade than its predecessor, is said to have insisted on a re-negotiation of the treaty. The Mexican government is willing to meet the Venezuelans and listen to their concerns, but the Trade Ministry official said the agreement could not be reopened.

Additional reporting by Stephen Fidler in London and David Scanlan in San José

Mercedes in Indian venture

By Christopher Parkes in Frankfurt

Mercedes-Benz is to start assembling E-Class executive cars and manufacturing vehicle engines in India in a new joint venture with its long-standing partner, Tata Engineering and Locomotive (Telco) of Bombay.

The partners will invest DM250m (£97.2m) in equipping a factory in Poona with capacity for 20,000 cars and 50,000 petrol and diesel engines a year.

Car assembly will start this year, while engine output is scheduled to begin in 1995, Daimler-Benz, the Mercedes parent, said yesterday.

Mercedes will hold a 51 per cent stake in a new operating company, Mercedes-Benz India, which will further tighten ties with Telco, in which Daimler has a 10 per cent stake.

The two groups have co-operated since 1954, when Telco was awarded its first licences to manufacture Mercedes commercial vehicles under licence.

Caribbean apparel sales to US soar

By Canute James in Kingston

Caribbean Basin countries increased the volume and value of apparel exported to the US by a quarter last year, as a result of special agreements for access and increased quotas. The region accounted for almost 14 per cent of the US market.

The Caribbean's apparel exports to the US in 1993 totalled 12.3bn square metres, 24 per cent more than in the previous year and well ahead of the 6 per cent increase in worldwide apparel exports to the US last year.

Earnings by Caribbean Basin countries from the US increased 23 per cent last year to $3.9bn (£2.67bn).

"The Caribbean Basin countries' share of the US apparel market grew to 13.74 per cent last year, compared to 14.9 per cent held by South East Asia's Asean group, 4.15 per cent by the European Union, 2.24 per cent by Latin America and 1.68 per cent by Africa," said Mr Peter King, chairman of the Caribbean's Textile and Apparel Institute.

"Some of the major product lines were knitted and woven shirts, trousers and shorts, T-shirts, hosiery, underwear and foundation garments."

Most of the region's apparel exports to the US are produced under the 807 offshore assembly programme which allows garments to be assembled in the region from fabric made and cut in the US and re-exported to the US with duty paid on the value added in assembly.

The main regional exporter to the US last year was the Dominican Republic whose shipments increased by 18 per cent to earn $1.4bn. Costa Rica's exports increased by 12 per cent to $650m, followed by Guatemala, up 2 per cent to $544m, Honduras up 43 per cent to $500m and Jamaica up 31 per cent to $381m.

Mr King is forecasting another 25 per cent increase in volume and value of regional apparel exports to the US this year, despite fears the Mexican industry, using the North American Free Trade Agreement, could eat into Caribbean markets.

Output surge bolsters hopes for recovery

By Philip Coggan, Economics Correspondent

Fears that the UK economic recovery might be faltering were assuaged yesterday by news of faster than expected growth in manufacturing output and industrial production in January.

The Central Statistical Office said January's monthly rise in manufacturing output was 1.1 per cent, while industrial production, which includes energy, rose by 0.8 per cent. However, the January increases are from a lower base as the CSO reduced its estimates of output and manufacturing production in 1993.

The output statistics depressed sentiment on the London stock market as traders felt it made an immediate cut in base rates less likely. Shares were also hit by falls in bond markets in Germany and the UK. The FT-SE 100 index fell 41.5 points to close at 3,264.4.

Weak economic statistics published last month had cast doubt on the strength of the UK recovery. Manufacturing output had been estimated to fall by 0.5 per cent in December, although that has now been revised to a 0.2 per cent fall.

Many of the figures appear to have been distorted, however, by the effect of the Christmas period and the CSO prefers to look at quarterly trends.

Manufacturing output was 0.6 per cent higher in the three months to January than in the previous three. Industrial production was 0.9 per cent higher.

"The figures confirm that the December data were erratic and that people are still too downbeat about the prospects for economic recovery in the UK," said Mr Kevin Gardiner, UK economist at Morgan Stanley, who last week increased his forecast of this year's UK economic growth from 2.6 to 2.8 per cent. The government is forecasting a 2.5 per cent growth in UK gross domestic product in 1994.

Some observers, however, believe that tax increases taking effect next month will slow the pace of economic growth. Mr Peter Warburton of Robert Fleming thinks a combination of higher taxes and a weak labour market will limit GDP growth to 1.8 per cent this year.

Yesterday's figures prompted the CSO to increase its estimates of the trend in manufacturing output growth from 1 per cent to 2 per cent per year, and for the trend in production from 2.5 per cent to 3 per cent annual growth.

The main source for January's manufacturing output rise was the engineering sector, notably electrical and optical equipment. Production was bolstered by the continuing strength of oil and gas extraction, which reached record levels in January.

The main reason for the downward revision in estimated 1993 growth in manufacturing output and industrial production was higher than expected export prices. The CSO uses the inflation rate to "deflate" output cash totals and reach volume estimates.

As a result manufacturing output was 1.8 per cent higher in 1993 than in 1992, down from the previous 1.9 per cent estimate, whereas 1993 industrial production was 2.5 per cent up on 1992.

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Hurd's Pergau claim challenged

By James Blitz

Britain's former high commissioner to Malaysia yesterday contradicted claims made by Mr Douglas Hurd, the foreign secretary, that an offer of aid for Malaysia's Pergau dam had been "disentangled" from sales of defence equipment.

Sir Nicholas Spreckley told the House of Commons Foreign Affairs Committee that a complex mathematical formula linking the aid and defence deals in a Protocol signed in March 1988 had not been discarded by the UK government when concluding final negotiations over aid for Malaysia.

Instead, he told MPs that the formula – insisted on by Malaysian negotiators when drawing up a protocol on defence sales in March 1988 – had determined the UK's decision to offer about £200m to Malaysia later that year.

Sir Nicholas's testimony contradicted claims made by Mr Hurd and by Lord Younger, the former defence secretary – who also gave evidence yesterday – that there was no long-term linkage between aid and defence contracts signed with the Malaysians in 1988.

The committee is investigating Britain's decision to give Malaysia £234m to help build the Pergau dam, a decision that members of the Overseas Development Administration have described as "a very bad buy". It is also examining whether ministers broke Whitehall and international guidelines by linking aid money to defence contracts.

Last week, Mr Hurd told the committee that there had been "a brief entanglement" between aid and trade in a protocol signed by Lord Younger, in March 1988.

Former High Commissioner Sir Nicholas Spreckley gives evidence yesterday Picture: Press Association

But the foreign secretary strongly argued that ministers sought to "disentangle" the contracts later that year, pursuing them as two distinct projects to avoid breaking guidelines that prohibit linkage of aid and trade.

Sir Nicholas admitted yesterday that, after Lord Younger had returned from Kuala Lumpur, ministers wanted to remove a clause in the protocol which offered Malaysia up to 20 per cent of the £1bn sale of defence equipment in the form of aid money. Sir Nicholas said he advised ministers that if that clause were withdrawn, "something had to be put in its place, something that would bear comparison."

He told the committee a promise of up to £200m for development projects made in a letter of June 28 1988 to the Malaysian government was a technical restatement of the original protocol's formula.

Lord Younger admitted he alone had agreed to the inclusion of the aid formula in the arms contract. In contrast to Mr Hurd, he said the protocol did not link arms and aid at all, because the document had no "executive role".

He also claimed that Lord Howe, foreign secretary at the time, had agreed that the protocol did not make a firm commitment of aid.

Mr John Major confirmed yesterday that he had been privy to cabinet discussions in 1988 about the references to civil aid and arms sales in the Malaysian protocol.

Heseltine rejects talk of party chairmanship

By Philip Stephens, Political Editor

UK Trade and Industry secretary Mr Michael Heseltine has dismissed suggestions from prominent Tory MPs that he should take over as party chairman after defeat the government is expected to suffer in local and European elections this summer.

Mr Heseltine's determination to stay at his department emerged as Mr Kenneth Clarke, the chancellor, failed to dispel speculation that he and Mr Heseltine are preparing for a leadership contest this year.

Mr Clarke insisted yesterday that he expected Mr John Major to lead the Conservatives into the general election due by 1997. That echoed Mr Major's public reaffirmation earlier this week of his determination to hold on to the premiership.

But the chancellor, who said he was fed up with being constantly quizzed about the leadership, once again admitted his long-term ambitions to become prime minister.

That and a couple of verbal slips suggesting that Mr Major's position was not entirely secure was seen at Westminster as evidence that Mr Clarke is anxious to keep open his options in the event of an early leadership crisis.

Mr Heseltine has told close friends that he wants to remain in his present post when Mr Major unveils his expected cabinet reshuffle after the summer elections. He has not received any indication from 10 Downing Street that the prime minister will seek to move him.

The speculation that Mr Major might ask Mr Heseltine to lead the Conservatives' campaign for the next general election has been fanned by intense suspicion on the right of the Tory party that he is positioning himself for a leadership bid.

Prominent rightwing Tory MPs have been openly canvassing the idea that by making him party chairman Mr Major could ensure Mr Heseltine's loyalty in the event that bad results in the local and European polls trigger a leadership crisis.

Sir Norman Fowler, the present chairman, has already indicated his plan to stand down and the MPs have suggested that the trade and industry secretary would find it impossible to turn down the job without appearing disloyal.

But friends of Mr Heseltine have dismissed as nonsense any suggestion that he would pose a threat to the prime minister if he remained at the DTI.

The trade and industry secretary had also made it clear that he has always regarded his task in reshaping the government's approach to industry as one that would take at least three years and probably longer.

Mr Heseltine's unwillingness to countenance a move leaves employment secretary Mr David Hunt, who supported Mr Heseltine for the party leadership in 1990, as clear favourite for the chairmanship.

Britain in brief

Battle for power sales under way

More than 7,000 large consumers of electricity are to buy from a supplier other than their regional power company for the first time next month as they take advantage of the opening up of their market to competition.

Many more among the 45,000 power users able to shop around for supplies from April 1 have signed deals with their local distributor that will give them significant price reductions.

The 45,000 consumers that qualify to shop around from next month include industrial concerns, supermarkets, large schools and hospitals.

Some distributors – including Manweb, in the north-west of England and in north Wales, and Midlands Electricity – say they have been able to offer some consumers outside their regions price cuts of up to 20 per cent.

Most reductions fall within 4 per cent and 10 per cent. However, some consumers enjoying relatively low tariffs have received no immediate financial benefit.

The reductions are the result of the second stage of the liberalisation of the electricity market, which will allow users of between 100kW and 1MW at their period of peak consumption to pick from any licensed supplier.

Until April 1 they have had to buy from their regional distributor. Only consumers of more than 1MW had a choice of supplier. By 1998, all consumers, including householders, will be able to select their supplier.

Employers face maternity bill

Employers will have to foot the £55m bill for improved maternity payments, announced by the government yesterday, which will benefit around 285,000 working women.

The new arrangements follow a government consultation exercise which gave options for adapting UK maternity benefit schemes to the requirements of the EC Directive on the protection of pregnant women in full-time work. Employers will be asked to pay the difference between the cost of existing maternity arrangements and the new system which must be in place by October 16.

Upturn in light vehicles

Sales of light vans made their long-awaited upturn last month, broadening the UK commercial vehicle market recovery to every sector except buses, coaches and utility four-wheel-drive vehicles.

In some areas of the market the sales upsurge last month reached spectacular levels, with the important heavy trucks sector – over 15 tonnes – rising by 31.9 per cent in February compared with the same month a year ago.

Statistics from the Society of Motor Manufacturers and Traders show that sales of light vans – mainly those derived from cars – rose by 5.9 per cent, to 5,334 from 5,037, reversing a long declining trend.

Sales of larger "panel" vans like the Ford Transit rose last month by 14.8 per cent compared with the same period a year ago, to 7,040 from 6,133.

Pakistan gas pipeline hints

Pakistani press reports suggest that British Gas and Novacorp of Canada are the leading candidates to take a 20 per cent stake in the partially-privatised Sui Northern Gas Pipeline company, the monopoly gas distributor in northern Pakistan, which is currently 60 per cent state-owned.

The reports, quoting petroleum ministry officials, said the government has decided to offer a 20 per cent stake to a foreign company by the middle of this month.

British Gas yesterday confirmed that it was negotiating with the Pakistanis and that there had been some discussions on a possible price. But it said that any decision on whether to go ahead depended on the Islamabad government publishing a proposed regulatory regime for the pipeline company.

Jump in Scots exports

Exports of manufactured goods from Scotland rose by more than 30 per cent in value last year, says a new index of Scottish exports compiled by the Scottish Council Development and Industry. The index, based on figures from 26 companies which account for 60 per cent of all Scottish exports, rose from its base of 100 in the first quarter to 130.1 for the fourth quarter, suggesting exports worth £10.9bn in the whole of 1993.

Although all industrial sectors showed growth, the strongest export sector was computers. The index showed a 15 per cent jump in the fourth quarter over the preceding one. International Business Machines, which has a plant making personal computers at Greenock, Strathclyde, accounts for about one-fifth of all Scotland's exports and has been experiencing a boom in output.

Barclays makes 440 redundant

More than 400 employees of Barclays Bank arrived for work yesterday to be handed letters informing them they had been made redundant.

The 440 administrative staff at branches in London and the south-east were selected on the basis of attendance and performance records.

Barclays, which has already shed 16,000 jobs since 1990, has also announced plans to cut another 5,000 by the end of next year.

The move comes just two days before the bank publishes its annual results.

Spy chief seeks 'in camera' deal on Scott

By Jimmy Burns

Mr David Spedding, Britain's new spy chief, is prepared to give evidence to the Scott arms-for-Iraq inquiry but only on the understanding that all members of the intelligence services will continue to testify in camera.

Mr Spedding, who was named as the next MI6 head last week, owes his promotion largely to his involvement in gathering information on Iraq's nuclear programme.

He is thus well placed to shed light on an area which has been investigated by Lord Justice Scott and which includes the work done for UK intelligence by former executives of Matrix Churchill.

A Scott inquiry spokesman said last night that the judge was not prepared to comment on intelligence witnesses to his inquiry.

The judge has already taken written and oral evidence in private from several members of the intelligence services, including some members of Mr Spedding's section specialising in the Middle East, and the outgoing head of MI6, Sir Colin McColl.

After consulting Whitehall officials, Lord Justice Scott reached the view early in his inquiry that the public interest in hearing in public evidence from an intelligence officer was outweighed by the public interest in protecting his identity and some of the information provided by him. According to intelligence sources Mr Spedding is under instructions from the government, "like any other member of Whitehall", to co-operate fully with the Scott inquiry.

This co-operation would include giving evidence in public if "requested to do so by Lord Justice Scott". Mr Spedding believes, however, that evidence in camera best serves a balance between a higher public profile for the service and the continuing demand for secrecy in its operations.

The role of the intelligence services is expected to come under renewed focus today when Mr Peter Wiltshire, a Customs officer involved in the Matrix Churchill investigation, gives evidence to the inquiry.

The intelligence services believe the final report will largely exonerate those involved in intelligence reporting, instead criticising a breakdown in dissemination of information by non-intelligence officials and ministers.

The judge has seen numerous intelligence reports warning Whitehall that Iraq was using British exports to build up Iraqi conventional and nuclear capability from the mid-1980s.

British holiday share hits record low

By Michael Skapinker, Leisure Industries Correspondent

The British went on a record 56m holidays last year but the proportion taken in the UK fell to the lowest level ever, the British Tourist Authority said yesterday.

British residents took 32.5m holidays of four nights or more in the UK last year, 1.6 per cent up on 1992. But the number of foreign holidays increased by 8 per cent to 23.5m. The share of holidays taken in the UK was 58 per cent, compared with 60 per cent in 1992.

The number of domestic holidays taken rose from 31.5m in 1960 to more than 40m in the mid-1970s, before falling to 28.5m in 1987.

Over the same period, however, there has been a dramatic increase in the number of holidays taken abroad. In 1960, only 3.5m Britons took their holidays abroad. By 1980, this had reached 12m.

While Britons have taken more abroad, a record number of foreign tourists have visited the UK. The Central Statistical Office said last week that the number of overseas visits to the UK rose 4 per cent to 19.3m in 1993. However, the increase in the number of Britons going abroad resulted in a rise in the travel account deficit of the balance of payments to £3.7bn last year, compared with £3.4bn in 1992.

Ms Adele Biss, BTA chairman, yesterday said: "Our tourism industry cannot survive on growth from overseas visitors alone. Nor can we expect cut-throat competition from package holidays to disappear."

She added that the UK tourist industry needed "more focus on quality standards, value for money, more energetic promotion and better marketing. This is not by any means an impossible task. But we need greater commitment from government and the industry, working in partnership, to arrest this decline."

BT faces greater regulation in competition move

By Andrew Adonis

British Telecommunications faces a sharp increase in regulation as Oftel, the telecommunications watchdog, tries to open the UK market to greater competition.

A new supervisory regime announced yesterday by Oftel will provide for the regulator to set and publish the price of more than 70 charges levied by BT on competitors needing to use its network to carry their calls.

It will also force BT to publish separate accounts for its network and retail business, to reduce the advantage BT gains as a retailer from owning the country's largest telecoms network.

Payments to BT, which controls about 90 per cent of the UK telecoms market, represent about half of the total costs of rival operators. The largest rival is Mercury, but dozens of new operators have gained licences in the last two years, including cable companies building combined television and telephone networks in urban areas.

Mr Don Cruickshank, Oftel director-general, said the changes were essential to promote a transparent, competitive telecoms market. He said: "I hope BT will increasingly see other operators as customers as well as competitors."

However, BT views new operators solely as a threat, and is anxious to avoid becoming little more than a wholesaler of network capacity to other service providers.

At present BT sets charges for competitors using its network by negotiation, with a right of appeal to Oftel – exercised twice by Mercury. The prices have been confidential and vary between operators.

In future, competitors will pay for key interconnection services at standard, published tariffs set by Oftel.

BT condemned Oftel's "costly increase in regulation". But Mr Michael Hepher, BT managing director, has assured Oftel of BT's co-operation in the introduction of accounting separation, which will apply from this financial year.

Mr Cruickshank said the level of detailed regulation proposed was "absolutely essential" to develop competition.

Oftel's standard interconnection charges will initially be based on its determination last year of the long-running dispute between BT and Mercury over network payments.

Mercury is contesting the determination in the High Court in an attempt to secure a more favourable settlement.

Cable-laying work under way recently on the first Fibreway towpath route installation from Glasgow to Edinburgh

Canals to host fibre-optic network

Competition for long-distance telecommunications traffic was stepped up yesterday by the launch of a company using Britain's canal towpaths to build a fibre-optic network, Andrew Adonis writes.

The company, Fibreway, claims to be the first solely engaged in the wholesaling of capacity to other operators. It will offer no services directly to end-users, but sell capacity to the growing array of new entrants to the UK market.

The three existing long-distance networks are owned by companies which also provide telecoms services to consumers. They are British Telecommunications, Mercury, and Energis, a new operator launching a service next month.

Fibreway's largest shareholder is GPT, the telecommunications equipment joint venture between GEC and Siemens, the German group. It is acting in partnership with British Waterways.

Mr Gerry Boothroyd, Fibreway's director, said that initial investment will be in the "tens of millions", with network construction determined by demand.

Cable companies building local networks in urban areas are keen to see a diversity of long-distance operators. Mr Eugene Connell, head of UK operations for Nynex, the US group making significant UK cable investments, expressed "serious interest" in the new operator as a means of linking Nynex's franchises in different parts of the country.

The idea of using canal tow-paths for a telecoms network has been in the air for several years, but appeared to founder two years ago when Sprint, the US long-distance carrier, dropped plans to build its own UK network.

Construction is under way of a link between Edinburgh and Glasgow, with others planned in the Midlands.

Cellular system set for launch

Hutchison Microtel confirmed yesterday its intention to launch a new cellular mobile network next month and announced its name – "Orange", Andrew Adonis writes.

The network will be the UK's fourth, competing against Vodafone, Cellnet and Mercury One-2-One, which launched in the south-east of England last September.

Microtel has chosen the name in an effort to conjure up the image of cellular communications as "fresh, attractive, and not impossibly complicated to use." Orange is related to neither Apple, the world's second largest personal computer manufacturer, nor Apricot, the workstation maker now owned by Mitsubishi of Japan.

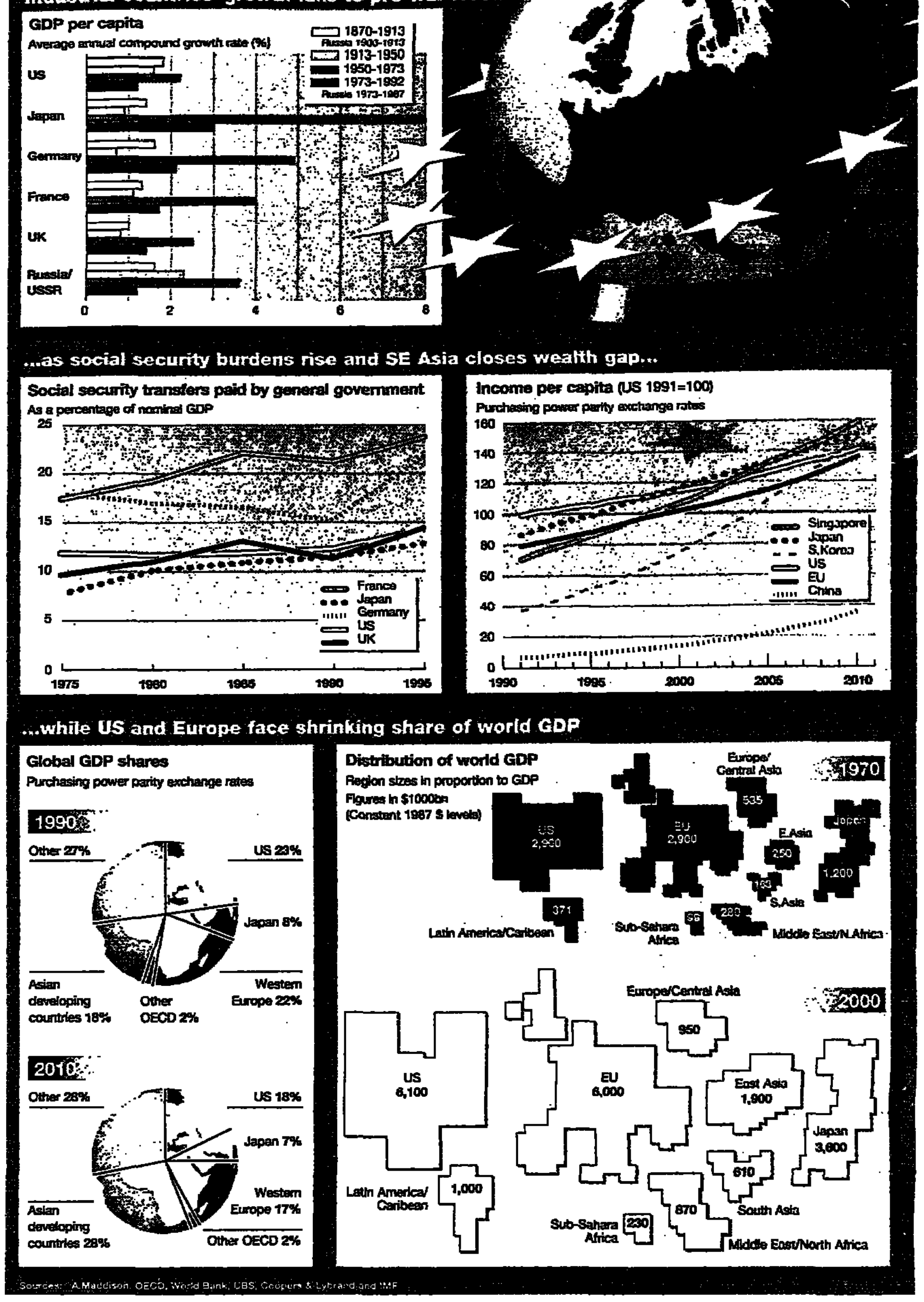
Microtel, whose largest shareholder is Hutchison Whampoa, the Hong Kong conglomerate, refused to disclose the Orange tariffs yesterday, but said they would be "highly competitive" with those of existing networks.

The Orange network will cover more than half of the UK's population, extending to 90 per cent by mid-1995.

It will be digital, as is that of One-2-One. The handsets may be more expensive than the analogue networks run by Vodafone and Cellnet, but Orange is likely to compensate with cheaper charges.

CAN EUROPE COMPETE?

The way forward



Sources: A Maddison, OECD, World Bank, UBS, Coopers & Lybrand and IMF

Balance of economic power begins to shift

David Marsh sees opportunities in Europe's lagging performance

Europeans are no strangers to periods of lagging economic performance. The fortunes of ancient Egypt waxed and waned over 2,000 years, while most of Europe was a barbaric wilderness populated by goatherds.

The cycles of world history have since accelerated and become interconnected, to a degree barely conceivable even a generation ago. As it tackles the problem of fading dynamism, Europe must weather a phase of unsettling political and economic transition.

"Europe can be under no illusion that it faces very strong competition from the US and Asia," says Mr Ernst-Antoine Sellière, vice-president in charge of economic affairs at the French Patronat employers' organisation. "But, provided we loosen constraints on our competitiveness, this can be an opportunity."

The European nations that launched the manufacturing revolutions of the 18th and 19th centuries ceded industrial leadership to the US after the first world war. Now, as a result of global upheavals in technology and communications, another shift in the balance of economic power may be imminent - this time, towards the rapidly expanding economies of the Pacific Rim.

Using World Bank data and its own assumptions about future growth, Union Bank of Switzerland (UBS) projects that, in the first decade of next century, purchasing power income per head in Singapore and Korea will exceed that of the US. Incomes in Singapore are already close to the west European average.

According to similarly derived projections by UK accountants Coopers and Lybrand, the share of world GDP taken by Asian developing countries (including both China and India) could rise to 28 per cent in 2010 from 18 per cent in 1990. Western Europe's share would fall to 17 per cent from 22 per cent, while the US's would fall to 18 per cent from 23 per cent.

This projection assumes annual growth in both western Europe and the US of 2.5 per cent, against 6 per cent in Asia. Even if the growth differential is less, Europe will drop down the economic rankings. But Europe's likely decline needs to be put into perspective.

First, it is natural that less well-off countries move closer to wealthy ones. Over the past 20 years, the gulf between many rich and poor countries has widened. Where gaps have narrowed, they normally remain large. According to World Bank figures (based on constant dollar exchange rates rather than purchasing power parities), by 2000 the ratio between average GDP per capita in western Europe and east Asia will be an 18 to 1, compared with 48 to 1 in 1970.

Second, as living standards rise in less developed countries, wealth should flow back to Europe through increased trade and investment. Provided European companies match international advances in management and technology, Europe can maintain a strong competitive advantage in goods and services the rest of the world wants. This requires that borders remain open and protectionist pressure is resisted.

Professor Richard Portes, director of the London-based Centre for Economic Policy Research, believes a narrowing of the wealth gap between Europe and the rest of the world need not be disastrous. "I'm very sceptical about the views of the doomsayers."

Differences in real wages between western Europe and other manufacturing regions will narrow, he says, in the same way that US wages, relative to those in Europe, have fallen since the 1950s. This need not stop European living standards rising.

According to UBS's projections, western Europe's growth rate will pick up early in the 21st century, as the continent benefits from the "catch up" phenomenon, under which countries that lag adopt innovations from the leaders.

A striking example of "catch up" has been US success in the 1980s in reacting to the competitive threat from Japan by importing "just-in-time" Japanese production technology, says Mr Bill Gasser, UBS's senior international economist.

But, as it tries to adapt, Europe has one big disadvantage. The fast-increasing share of GDP taken by government spending in the past decade - a rise well under way before the onset of the European recession in 1992-93 - has imposed a growing burden on business.

Social spending is the biggest single portion of these outlays. The OECD says social security transfers in the EU will account for 21.5 per cent of GDP in 1994, up from 16.4 per cent in 1989 - double the percentage rise in the last downturn in 1979-1982. In relation to GDP, EU social transfers exceed US and Japanese levels by 50 per cent and 78 per cent.

As a community of nation states, western Europe faces greater difficulties than the US did a decade ago in adopting common policies to recover dynamism. But Europe's diversity is also a trump card. Different parts of the continent can draw upon varying strengths and specialisations.

There is little disagreement on the diagnosis of Europe's core problems. The task is to implement corrective measures:

- Growth of public spending on welfare is placing intolerable strains on budget deficits - one reason for high taxes and interest rates. Beyond simply cutting benefits, governments need a new balance between public and private sector social security provision.
- The number of old people in Europe could outstrip resources to care for them. Imaginative solutions will be required, returning the elderly to family environments and using technological advances to moderate medical costs.
- More flexible labour markets are needed, including improved possibilities for part-time work and less rigid wage-bargaining mechanisms. The collapse in demand for unskilled labour creates the potential for an integrated tax and welfare system allowing low-paid workers to be paid partly by employers and partly by tax credits.
- Europe must overcome its technological lag. Companies at the forefront of scientific advance must improve links both to the markets they serve and the education establishments on which they draw.
- Europe needs a better balance between the costs and benefits of environmental regulation. Environmental rules have not yet been a significant spur to innovation or competitive advantage.
- Plans for further integration, including widening (early next century) to central and eastern Europe, need to be based on liberal, open-market principles.

Governments know Europe can prosper only if companies think globally. This can lead to some sharp modifications. Pointing to the large number of German companies shifting production abroad to escape high domestic costs, Mr Ludolf von Wartenberg, general manager of the Federation of German Industry, says companies are moving away from a "Made in Germany" towards a "Designed in Germany" concept. German industry will regain competitiveness, he says. But he admits doubts on how German society will cope with the strain.

This type of corporate reaction can be painful, but the absence of adjustment would have still more disturbing consequences. If European enterprises and employees can muster the flexibility to manage change and the flair to master it, salvation is assured.

Rivalries to the rescue in the search for lost creativity

Diversity

By Guy de Jonquières

"In Italy for 30 years under the Borgias they had warfare, terror, murder, bloodshed – they produced Michelangelo, Leonardo da Vinci and the Renaissance. In Switzerland they had brotherly love, 500 years of democracy and peace, and what did that produce? The cuckoo clock." - Orson Welles in The Third Man.

The historical detail is flawed. The Swiss have fought two civil wars since the 16th century and did not invent the cuckoo clock. But Welles' monologue, ad-libbed amid the ruins of 1940s Vienna, contains a poetic truth. Conflict is a powerful spur to creativity. And diversity is the mother of conflict.

If Europe has a genius, a single defining characteristic, it is diversity. In no other region is such intense intellectual, cultural and linguistic variety packed into so small an area. Nowhere has the destiny of so many nations been more powerfully shaped by continuous rivalry between them.

In some eyes, this is a debilitating heritage. It has, after all, exacted a cruel price over the centuries in recurrent wars. Now that national advantage is furthered more by economic than military means, it is fashionable to decry Europe's heterogeneous structure as a handicap in the face of the relative homogeneity of Japan and the US.

Has not Japan's economic success been based heavily on management by consensus and a widely shared sense of national purpose? Has Hollywood not conquered the world because of the scale economies available from its large and integrated home market? Surely, logic requires European industry to respond by closing ranks and presenting a united front to the world?

Such analyses, however, miss the point. At a time when technology and liberalisation are forcing open markets worldwide, the toughest corporate challenge is not to achieve global production scale, but to differentiate products and services and tailor them precisely to widely varying local demand.

In theory, these trends should work in Europe's favour. First, because restricted home markets have long compelled ambitious producers to look beyond their own borders. For many, learning to adapt to unfamiliar conditions, and incorporating the lessons into their own operations, has been a prerequisite of expansion.

Secondly, because many of Europe's enduring industrial successes have been built on intensive specialisation and continuous striving to create and enhance distinctive competitive capabilities. This is the story of German capital goods, Swiss precision engineering, Italian luxury products, French fashion and British pharmaceuticals.

The point was well understood by the authors of the single market programme. Their intention was never to create a uniformly level playing field dominated by equally matched industrial monoliths. Rather, by unleashing fiercer cross-border competition, they aimed to promote specialisation by freeing resources to flow to where they were most efficiently employed.

But the vision is still far from realisation. European countries continue to cling to the notion that sovereignty requires a presence in a broad swathe of industries, almost regardless of the cost.

For all the talk of EU integration, governments obstinately defend the right of national steel producers to continue losing money and of sleepy telecommunications monopolies and flagship airlines to charge high prices for mediocre service.

Nor is such nationalism limited to bigger countries. It was clearly at work in the decision last year by Swedish shareholders to torpedo the Renault-Volvo marriage and in the collapse of Alcazar, the planned merger of Austrian, Dutch, Swiss and Scandinavian airlines.

The result is not simply diminished efficiency, but the duplication across Europe of largely undifferentiated structures in many industries. Instead of breeding healthy diversity and creativity, national rivalry has perversely produced sameness and common weaknesses.

In these circumstances, preserving existing structures wholesale is not evidence of an ability to compete, but of a refusal to do so. The real test will be how effectively European economies enhance comparative advantage by abandoning poor performers and concentrating resources on those activities which they do best.

Looking ahead to 2000: How can Europe escape the doldrums?

TRAINING

Denis MacShane, director of communications, International Metalworkers Federation:

"Measures to provide workers with constant skilling and reskilling should not just be supported. They should be demanded as a right. People should get involved in consultations and information exchanges within their companies. We should learn from the Japanese system where you are thought of as a member of a company, not just as an employee - this helps limit unemployment. I favour reductions in working time, which is out of kilter with what is needed to produce goods and services in Europe. Employees should support policies aimed at producing new products. In 10 or 15 years, ordinary people as they grow older will have several thousand pounds worth of health diagnostic equipment at home."

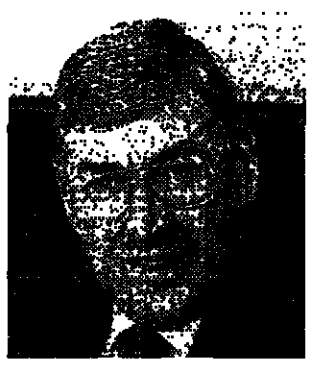
SINGLE MARKET

Zygmunt Tyszkiewicz - secretary general, Unice (European employers federation):

"If you project today's trends in Europe to 2000, the result is dismal. It can't be allowed to happen. We have been divided up into little national states, each one protecting what he does, each one with its own airline, steel industry and so on. We have missed out on the economies of scale.

We have the seeds of recovery in the single market, but it's not properly working yet.

"We need to tackle the problem of rising social security budgets, by bringing in funded pensions. Our education systems need to produce people who can adapt to high technology. The world recession won't last for ever. When the upturn comes, it won't solve unemployment problems, but it will give us the confidence to make difficult decisions."



OPERATING GLOBALLY

Sir Anthony Cleaver, chairman of IBM UK, head of an inquiry on competitiveness by Britain's Royal Society for the encouragement of Arts, Manufactures and Commerce:

"During the next 10 years, it is inevitable that Europe's share of world income will drop. It ought not to mean actual standards of living will decline. However, we will have to reorganise social security. Just as, inside companies, people look to their own careers and plan for themselves, we are going to have to develop an increasing number of instruments to allow individuals to take responsibility for their future welfare.

"For businesses to prosper, there is no substitute for bright people with an understanding of the industries they work in. In any high-tech area, you have to keep abreast of what is happening and where advances are being made."

EUROPE'S PLACE IN THE WORLD

Prof. Michael Stürmer, director, Stiftung Wissenschaft und Politik (German government foreign policy think-tank):

"We shouldn't be so afraid of south east Asia. In the long run, these countries could get into deep trouble. The streams of weapons flowing there will sooner or later explode. Their passage is by no means assured. They have to deal with North Korea, and they may get into deep water with China.

"Europe is still one of the best places in the world to live in. We will recover. Our recession in Europe is a matter of the last 21/2 years. We should not extrapolate to 2005. Our problem is the excessive welfare state. But, throughout history, Europeans have shown enormous resilience. And, unlike after the second world war, we are starting out from a very high level."

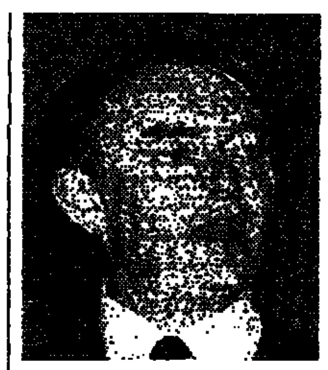
SCIENCE

Dr Bob Whelan, chief executive of the UK Centre for Exploitation of Science and Technology:

"Because it is inadequately prepared for change, Europe too often follows rather than sets the world agenda for new products. The European workforce must become more flexible and adaptable. If you never stop learning, you can learn new tricks.

"Europe must recognise the need for world class performance in ALL aspects of industries that force that pace of technology - information, pharmaceuticals, automotive, energy and so on.

"There is too much introverted concern that the EU is the market. Companies should show more interest in global markets, looking for new opportunities - and learning from high quality customers elsewhere in the world. Companies must hunt in packs. There is still great scope for new collaboration."



EMPLOYMENT

Padraig Flynn, European Commissioner for employment:

"If the EU can get down to a 5 per cent unemployment rate by the end of the century - half the present level - we could live with that. Governments must avoid simply standing still and waiting for a cyclical upturn to solve our difficulties. Even if we increase our competitiveness, that will not automatically lead to more jobs. We need to increase the employment intensity of growth.

"Cutting wages is not the answer, although we need moderate wage rises not exceeding increases in productivity. We must lower burdens on employers caused by high non-wage costs.

"We need to look at new types of work: part-time work and lower-paid jobs, at a fair wage and with reasonable social protection. Low-paid work can be a source of a lot of comfort."

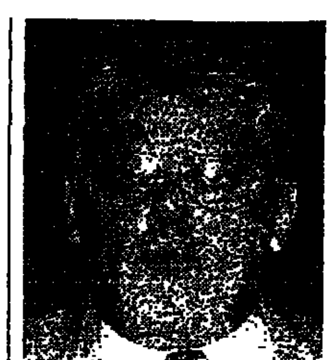
REDESIGNING COMPANIES

Peter Kraljic, managing director, McKinsey management consultants, Paris:

"Cutting costs alone is not enough - if companies simply restructure downwards, Europe will just run into ever higher unemployment. Companies have to be redesigned for growth. Manufacturing techniques and the location of manufacturing are less important than people's attitudes and state of mind.

"For 40 years we have had growth in Europe. Now we are like the US at the start of the 1980s."

"Europe has to exploit its strengths. We have a large market, and an incredible mix of nations with incredible talents. If we have the will to be Number One, at an individual, corporate and national level, we can do it. But we cannot expect a miracle overnight. It will require coherent action and a lot of leadership."



WIDENING EUROPE

Bela Kadar, minister for international economic affairs, Hungary:

"Hungarian membership of the EU by 2000 is realistic. We will bring a dowry - not just the Hungarian market, but flows of trade and technology with the rest of eastern Europe. If they invest in Hungary, western companies can increase their competitiveness. If obstacles to our exports fade, Hungarian and foreign investors can produce not just for 10.5m Hungarians, but for 400m European consumers."

This is the final part of a 10-part series

■ *An 80-page paperback, containing all the articles in this series will be available later this month, at a price of £20 per copy. Cheques should be made payable to Financial Times Ltd and sent to John White, Marketing Department, Financial Times, 1 Southwark Bridge, London SE1 9HL.*

■ *In yesterday's list on ageing in Europe, the percentage of Europeans in world population in 2050 was wrongly stated. The correct figure is less than 5 per cent.*

Santa Raymond and Roger Cunliffe explain how telecommunications companies have used technology to transform their workplaces

At home in the office

Telecommunications and information technology companies have long argued that technology is an important tool in workplace design. What is less well known is that many of them practise what they preach.

Companies such as IBM, Digital Equipment, British Telecommunications and Mercury understand the full potential of modern technology, and apply it in their workplaces in a way that offers lessons for others.

IBM has a tradition of excellent offices, but its Smart (space, morale and remote technology) programme takes an innovative leap forward. At Bedfont Lakes on the outskirts of London, IBM has divided individual workspaces into four types: managers' offices, permanent workstations for administrative staff, grouped and shared "hot desks" for mobile consultants, and "touch-down desks" for other staff visiting the office for brief periods.

Consultants are encouraged to be where the work is: at the clients' premises. When back at base (conventionally less than 40 per cent of the working year), their "hot desking" more than doubles the utilisation of desk space. This cuts the amount of space needed, even when offset by an increase in meeting rooms and rooms set aside for customers to work in.

The other main space saver is IBM's policy of grouping all filing, both team and personal. Files are taken to desks in portable trays, personal filing is minimised and desks are kept clear. The results of these and other measures, says project manager Harvey Young, are more effective operations and a 25 per cent saving in space.

At Mercury Telecommunications the challenge is growth and change with "awesome velocity", in the words of Chris Ridgewell of its Flexible Working Applications Group, which advises customers on IT packages for workplaces. When architects Austin-Smith Lord designed the interior of Mercury's London headquarters, stress was put on flexibility; in particular, the IT installation has a floor outlet point every 4 sq m, more than twice the usual density. Yet with an organisation growing at 100 people a month, technological flexibility and the acquisition of space are not enough.

The answer is "virtual teams": people collaborating closely, but in a range of locations. They may work from home, in the car, at a customer's office, at "third-party sites", in a branch office of Mercury, or at head office – yet they work as a unified team. They are united by a strong sense of "mission", highly sophisticated IT, skilled team co-ordinators – and a base office which provides the right environment for anything from a "touch-down" visit to a full team brainstorming.

Cosy corner: plants and a 'cottage' backdrop feature at Digital Equipment

What sort of a physical environment makes a base office attractive, welcoming and stimulating? At Digital Equipment's Stockholm office, a virtual team was asked to decide this for itself. The result is a flexibly planned area with consultants sitting in lounge chairs under an artificial tree, their mobile filing trolleys beside them. At the press of a button their computer terminals descend from the branches to a convenient height.

In the corner a raised café area is also used for informal meetings. The general decor has hints of the golf course, the beach and the garden: all places where the team said they felt at their most creative. The team co-ordinators (executive secretaries) also work on a dais, giving them eye-level contact with standing colleagues, a view in-the-round of what is going on, and emphasising the importance of their role.

Idealistic? Lavish? Not if you take into account a 50 per cent saving in space and a 20 per cent increase in productivity. The pilot area for 14 people has now been expanded to cater for 200.

BT's carefully monitored experiment with its directory inquiries staff in Scotland is another approach to the virtual team: the static relocation of some members of an in-house work group.

In BT's case 11 staff were detached from the Inverness office and set up to work in their own homes. As well as telecommunications and information technology, or "telematics" (which included video links with each other and with Inverness), BT developed special furniture, which was robust enough for work use yet domestic in scale. It also considered the broader implications of home-working – such as interruptions, security and child-proof equipment.

With the psychology department of Aberdeen University, BT is now evaluating the year-long experiment. The initial reaction of the workers and their families was very positive. The findings – some already published – are not only for BT to use in its staff deployment, but to help its customers contemplating home-working.

What does all this mean for the design of tomorrow's offices? Creative change is essential if businesses are to survive pressures from new technology, from globalisation, from demographic and educational changes in the workforce, from concerns about the costs of commuting and its environmental impact – and changing lifestyles.

The workplaces of these four companies show the way. For all their technological sophistication, what is evident is the humanity; a concern with the quality of working life. They show that offices are increasingly becoming:

- Meeting places as much as workplaces, places for group interaction rather than solitary concentration;
- Pleasant places, which attract and retain the shrinking number of new graduates joining the ranks of skilled knowledge workers;
- Flexible places, far more space-efficient and adaptable, reducing both capital and running costs;
- Humane places, often smaller and nearer home (or even at it) but still part of a global communications network.

The authors are London-based architects.

Twelve steps to a successful speech

Talking about the audience you are talking to is the key to public speaking, writes Walter Bruderer

"Who are these people?" If you are preparing to make a speech, and the audience is already shaking your confidence, start with that question. It is the key to public-speaking success.

Whether they are strangers or co-workers, they have one thing in common: they expect you to dazzle them for the next 15 or 20 minutes. And the best way is to focus on their favourite subject – themselves. Talk about the people you are talking to.

Begin by defining who these people are and what they want. To help, here are 12 questions:

- Are these people friends, co-workers, customers or strangers? Define their characteristics and self-interests – the work they do, their education level, the everyday language they use, and especially the problems and opportunities that concern them.
- Why are they here? What do they expect to get out of your speech? What do they want of you? They expect to benefit somehow. Write these expectations down.
- Why were you invited to make this speech? There must be something special about your background that is of interest to the audience. What exactly have you got to offer? You must understand your qualifications so you can deliver the speech they expect to hear. Audiences are easily disappointed when a speaker steps out of character and ignores the reason he was chosen.
- What problems do these people have? One of the best ways to win approval from your audience is to recognise their problems and help solve them. Your knowledge of their problems is probably the reason you were invited to speak. They expect fresh insights, a different point of view, and ideas that may help them. They do not want platitudes and generalities. One or two specific ideas that stir their minds will send them away feeling their time has been well spent.
- What opportunities do they have and how can you help realise them? This and problem-solving are the two best strategies to catch and hold the attention of any audience. Your function is to help them see their opportunities, open their eyes, stimulate their imagination, point the direction, and encourage them to act. They came to this meeting expecting you to freshen and expand their thinking.
- What is the normal, everyday language of this audience? Once you have settled on the big theme idea, the ultimate virtue is to express it with absolute clarity.

If your audience is from a certain industry, what terminology does it understand best? The audience dictates your choice of words. The best way to convey an idea is to use the language the audience knows best, cast in the simplest words you can find.

- Do these people like humour? Everybody does. But humour is a risky device. What strikes one listener as clever may strike another as inane. The theme of your meeting may be serious, and humour would be out of place. Few speakers are good comic story-tellers, and nothing can be worse than telling an old, inappropriate or pointless story. A light touch here and there, if it does not interrupt the logic of your speech, is welcome, but humour is no substitute for a big, useful idea clearly expressed.
- How long should the speech be? When you were invited, you were probably given a general time limit. The best rule is to take only as much time as needed to make your presentation with absolute clarity. The only thing worse than being too long and boring is being too short and only partially understood.
- Should you use visual aids? If they make your central point easier to comprehend, yes. Keep them simple and uncomplicated because the audience has only a moment or two to digest them. Explain every word, line, graph, number, picture; otherwise, if you pass on without doing so, the audience feels it has missed something.
- What should your manner of speaking be? Speak loudly. Make sure your voice carries distinctly to the furthest listener, so nobody has to strain to hear you. The whole character of your speech – your enthusiasm, conviction, emphasis, sincerity – can be lost if you speak with a tentative, soft voice that makes listening a chore. Nobody ignores a loud voice, and there is no conviction in a voice that mumbles.
- How should you use your eyes? Make eye contact. Look directly into the eyes of individuals, shifting from one part of the audience to another, from front to back, left to right. This has the compelling effect of keeping listeners' eyes on the speaker, feeling that he is addressing them personally. It also makes you, the speaker, feel you have made personal contact with individuals who are hanging on every word.
- Should you make an outline? Yes, and consult it as you speak. It forces you to organise your speech in a logical, coherent way, and keeps you from running off the track.

These questions are just a start; add others to fit your occasion. Taking a few minutes to understand who these people are, and what they want, is the first step in making a good speech.

BUSINESS AND THE ENVIRONMENT

Devastation: the remains of a missile firing point in Latvia after 30 years of daily target practice by Soviet bombers

East counts cost of a dirty legacy

Estonia, Latvia and Lithuania face a big bill after 50 years of Soviet army sloppiness, writes **Matthew Kaminski**

The Soviet army may be withdrawing from eastern Europe but it has left behind an ecological mess. The bill for the clean-up operation will be staggering.

Estonia, Latvia and Lithuania are currently sizing up the fallout from 50 years of sloppiness at more than 1,000 former Soviet military facilities. This legacy of Soviet rule, ranging from nuclear waste to water pollution, should keep policy planners and eco-businesses busy for years.

Soviet pilots, for instance, would regularly dump jet fuel on the ground to minimise flying hours. At the Tapa military air base in Estonia, 16 sq km are polluted by jet fuel, 7m deep in some places.

At most Soviet airfields in the Baltic region – as in east Germany and the Czech Republic – waste fuel, while not toxic, has seeped into the region's shallow natural groundwater reserves and raised purification costs.

The World Bank has examined the damage at Latvia's Tukums air force base, and is considering funding clean-up programmes. Environment Canada, a government agency, has offered to train Latvians in site remediation and assessment. But institutional lenders have yet to commit substantial funds to clean-up efforts.

Meanwhile Baltec, a private Latvian company, has begun a bioremediation project at Tukums. Over five years, it plans to pump out the jet fuel, some of which can be salvaged and resold, and put bacteria into the soil to break down the remaining fuel.

Inspectors previously barred from secret sites are finding other and more worrying surprises. Near Zvarde, an eastern Latvian town, more than 24,000 ha of farmland were confiscated for air target practice. The land was returned to Latvia after independence, leaving a trail of pollution, deforestation and unexploded bombs after 30 years of daily bombing sorties.

Peteris Elfers, a member of parliament, estimates that demining might take another 30 years. "It has to be done," he says, "but we don't have the technology to do it well." An inspection last summer found 364 bombs, mines and rockets after examining just the main bombing polygon of 159 ha – and only cursorily to a depth of 20 cm.

Deadly waste understandably raises more eyebrows. In Sillamae, a closed military city on Estonia's north-eastern coast, a classified chemical combine has left a 20m-high dam that contains, according to Murray Feshbach, an expert on the Soviet environment at Georgetown University in the US, 4m tonnes of uranium ore, 1,200 tonnes of pure uranium, 1,000 tonnes of radium, 800 tonnes of thorium, plus 2m tonnes of calcium sulphide oil shale ash and some ground radioactivity.

In a big storm, this could go into the nearby Gulf of Finland and directly affect the Baltic rim countries. Feshbach says one safety measure, so far not carried out, would be to encase the dam in cement.

Nuclear waste pockets have also been discovered across the Baltic hinterlands. Last summer in Lithuania, radioactive equipment dumped at a landfill in Zokniai, an airfield near Siulinae, produced alarming geiger readings.

Paldiski, a big submarine base in Estonia, has two nuclear reactors, a depository for liquid waste, another for solid waste and underground pipelines for radioactive sewage. In troop withdrawal talks, Russia has agreed to give up the base, remove the nuclear fuel rods and take care of waste and the necessary clean-up. What should be done with the 600 tonnes of liquid waste and the two reactors is unclear.

Estonia, which has a fiercely nationalistic government, worries about the proposed length of a Russian clean-up presence until 2000. It may look west for help instead, says Alar Olljum, a foreign ministry spokesman.

But Feshbach worries more about dimethylhydrazine, also called heptyl, a liquid rocket fuel that is supertoxic, volatile, carcinogenic and nerve paralysing. Around 270 tonnes – of the estimated 150,000 tonnes in the former Soviet Union – have been found around Ventspils, a large Latvian port city. "There is no known technology to get rid of it," says Feshbach. "The cheapest way is to fire it from rockets."

However, Harry Whitacker, chief of emergency engineering at Environment Canada, hopes heptyl can be turned into ammonia or methanol by using ultraviolet light and peroxide in an advanced oxidation process; and nitric acid, once pumped to the surface, could be converted to fertiliser if mixed with ammonium and hydroxide.

On the Baltic Sea shore, military harbours have been left in a pitiable state. At Liepaja, a top Soviet Baltic Fleet base, the harbour floor, polluted by heavy metals and crude oil a metre deep, needs to be dredged.

Just off the coast sit sunken battleship hulls, stripped of non-ferrous iron. Nearby are submarines which used batteries leaving semi-toxic residue – potentially dangerous if built up over time. Clean-up would be expensive, but a World Bank official says the spectacular site of pilfered Soviet warships might be a profitable tourist site.

The bank has made the conversion of Liepaja from a military into a commercial centre a priority project in the belief that the city's large port could be a key trans-shipment point to and from the Russian market. The bank has obtained the Latvian government's commitment to support a project of water treatment, coastal management and tourism. Environment Canada would handle the military pollution.

Like any economically depressed nation, however, Latvia must make hard choices on pollution clean-up. A clear economic incentive is needed to secure funding.

Symbolic cost estimates have been presented to Russia, the inheritor of the Soviet army. Latvia has sent Moscow a $147m (£99m) bill for land use and anticipated clean-up. Realistically, however, the Balts do not expect Russia to pay.

WORLDWIDE WASTE

Green legislation will test Tokyo's sincerity

Japan is sharpening up its environmental policy, reports **Emiko Terazono** in the latest in a series

In a recent letter to more than 600 Japanese manufacturers, Wakako Hironaka, chief of the country's Environmental Agency, urged business leaders to invest in environmental technology to help the struggling economy.

Although the Japanese government has embraced the green issue over recent years to enhance its international image, it has done little to lay down legislation defining industry's role in environmental protection or imposing standards for industrial waste.

Just how genuine the government is over its pledge to become more green will be tested later this year when it produces specific legislation to follow up the Basic Environmental Law, a broad policy statement passed by parliament last November.

After rapid economic growth in the 1950s and 1960s, a public outcry over the sharp rise in pollution forced the government to lay down strict anti-pollution laws. Cases such as the Minamata disaster, where toxic mercury was dumped into the coast of a small seaside town in southern Japan, or the Yokkaichi air pollution scandal, in which residents of an industrial town in central Japan suffered severe respiratory problems due to the air pollution from chemical plants, led to litigation by victims.

After numerous lawsuits against manufacturers and the government, tough laws controlling air and water pollution were passed. Companies rushed to spend on pollution control, investing 17 per cent of total capital investment at the peak in 1975.

However, green legislation has hardly changed since then. "Japan's philosophy towards the environmental issue hasn't developed in the last 20 years," says Ian Austin, the Tokyo-based director of Japan business development at Dames & Moore, the US environmental consultancy. Because Japan's industrial waste policy remains lax compared with that of the US and Europe, the financial burden on corporations remains almost non-existent.

The agency had initially intended the Basic Environmental Law to include the implementation of a tax to limit carbon dioxide emissions and to make it obligatory for companies to conduct environmental impact assessments. But opposition from the Ministry of International Trade and Industry (Miti) and the construction ministry led to the law being watered down.

From experience, the Environmental Agency realises that clean-up is much more costly than prevention

Soil pollution from industrial waste landfills is expected to pose a problem for the Japanese government and companies in the next few years.

Legislation covering user charges, which require companies to pay for collection and treatment of polluted waste, will have to be implemented, since the cost of closing down and cleaning up industrial waste landfills is expected to be enormous.

From its experience with Minamata, the agency realises that clean-up is more costly than prevention. The agency says that because Chisso, the chemical company responsible for the Minamata poisoning, had neglected to spend an annual Y100m (£645,000) in pollution prevention, its liabilities, including compensation to the victims and local fishermen, grew more than 100 times to an adjusted Y11.9bn a year.

Austin says that leading multinational companies in the European Union and the US are already applying environmental management policies to their operations in Japan to avoid possible future liabilities.

Japanese businesses, meanwhile, have seen profit opportunities in the development of green technology, and have also adopted action plans to show that they are already environmentally sound, and do not need further legislation.

In 1991, the Keidanren, Japan's leading business federation, produced a policy statement which said companies should put board members in charge of environmental matters, while in 1992 Miti laid down a "voluntary plan concerning environmental matters".

Although such pronouncements have mostly sounded superficial, some companies claim to be sincere. Toyota Motor says it will start producing cars in which 85 per cent of the body and engine parts can be recycled, while Toshiba has stopped using ozone-depleting CFCs to clean its computer chips. Kao, the detergent and consumer goods maker, promises to cut its industrial waste by 50 per cent by the end of next year.

But some companies' behaviour overseas may not be consistent with the way they do business in Japan. Mitsubishi Kasei, the chemicals group, was forced to close its chemical plant in Malaysia after local activists' allegations of radioactive waste. Although Mitsubishi overturned a decision by the Malaysian court in 1992 to terminate operations, the case damaged the company's image and it pulled out anyway.

In seven years, companies will run out of industrial waste sites, and some Japanese general construction companies have started to develop industrial waste and soil pollution technologies ahead of likely controls.

Next week: Germany.

PEOPLE

Earl returns to UK via Everest and Albania

Peter Earl, the corporate financier who last year was joint leader of the Rebecca Stephens Everest expedition, is joining US investment banking boutique Fieldstone Private Capital Group to set up a "mainstream" corporate finance function from London.

Fieldstone was started in 1990 by a team of structured finance specialists who had previously worked for Bankers Trust in New York and London. While it is hardly a household name, even in the City, it was last year ranked second in worldwide project finance by the specialist publication International Financing Review.

It has also had a hand in financing every power station built in the UK in the past four years and it was in the course of a similar project in Albania, where Earl has been advising the government on debt restructuring, that the two parties met.

Earl's experience, while diverse, has not been with mainstream corporate finance outfits. His own vehicle, Tranwood Earl, which is remembered for its audacious but fruitless bids for the likes of Storehouse, collapsed in 1991.

For the past couple of years Earl has been working out of the US, following a complicated deal in which he put The Carter Organization into, and then rescued it from, Chapter 11. As well as his Albanian activities he has recently been working on a communications project in Bolivia, the completion of which he hopes to celebrate in May by ascending a 21,000 foot peak near La Paz.

He says his wish to return to the UK is partly caused by a sense that there is a revival of takeover activity. He believes his transatlantic experience will be valuable and likes the idea of the US culture at Fieldstone. "I've trodden on a lot of toes because that is what the institutions wanted me to do," he adds, indirectly explaining why he might not fit so easily into a UK merchant bank.

Earl is not being made a partner – there are none in London – but says he "lives in hope". He is bringing with him to Fieldstone three colleagues from Tranwood days.

Sir Brian Pearse (above right), who steps down as chief executive of Midland Bank at the end of the month, is taking over from Sir Christopher Benson as chairman of the Housing Corporation, one of the government's biggest quangos.

Sir Brian, who spent most of his banking career at Barclays Bank, is being joined by Peter Cooke (left) as deputy chairman.

Cooke, a member of the Housing Corporation since 1988, is currently chairman of the Price Waterhouse World Regulatory advisory practice and is a former head of banking supervision at the Bank of England.

The Housing Corporation is the public body responsible for registering, promoting and supervising non-profit-making housing associations, which own and manage some 700,000 rented homes in England.

In 1993/94, £1.8bn of public resources has been allocated to the Housing Corporation, which expects to fund around 57,600 completions and 55,100 approvals during the year. (See Observer)

■ The CBI has appointed John Parsons as chairman of its Small Firms Council. Parsons is chairman and chief executive of Time and Data Systems International, a Poole-based company which makes electronic security systems.

He replaces Richard Brucciani who steps down at the end of the standard two-year period.

Parsons was a member of the British Overseas Trade Board from 1985 to 1993 and of a DTI national advisory group on the impact of the single European market on small and medium-sized companies.

Parsons, who received a CBE in 1988 for services to export, appears to have few illusions about what smaller companies can achieve in terms of growth and job creation.

"Small businesses are recognised as the leading job creators and an important source of economic growth," he says. "However, most of this comes from a relatively small proportion of dynamic firms which have the potential to grow."

■ Philip Mallinckrodt, the son of Charmaine Schroder and George Mallinckrodt, is joining the family firm where his father is chairman, as co-head of Schroders equity capital markets. The other co-heads are Paul Sauvary and Andrew Williams, and the new recruit will report to Gerry Grimstone, who heads the new international financing and advisory team.

Mallinckrodt, 31, has spent the past eight years at CS First Boston in London, where his last job was also as co-head of equity capital markets.

■ NatWest Markets, the corporate and investment banking arm of National Westminster Bank, has moved to strengthen an area in which UK commercial banks have traditionally been weak: providing financial advice to British companies.

NatWest Markets has appointed Andrew Cartwright, a J.P. Morgan investment banker, as a managing director and head of its UK corporate advisory work. He will work alongside Gerbrand Hop, who concentrates on continental European business.

The two men will report directly to John Howland-Jackson, deputy chief executive of NatWest Markets, who said yesterday that the appointment marked "a significant strengthening" of the senior executive team.

Insurance moves

Neil Shaw, chairman of Tate & Lyle, is to stand down as chairman of the Association of Lloyd's Members, which represents about 9,000 of the insurance market's Names, at the organisation's annual general meeting this summer. Shaw has been chairman of the association during a turbulent two-year period, building up close links with the market's reform-minded leaders, David Rowland and Peter Middleton, but says that his commitments at Tate & Lyle and elsewhere mean he can no longer devote sufficient time to Lloyd's.

The ALM committee has proposed Sir David Berriman, chairman of the Rose Thomson Young action group, as Shaw's replacement.

■ Nigel Edwards and Jeremy Lee have been appointed directors of Carpenter BOWRING; Colin Newman and Toby Pollard directors of Bowring Financial & Professional Insurance Brokers; Ian Arthur a director of Bowring Aviation; and Edward Page-Turner a director of the marine division of Bowring Marine.

■ Tim Baker has been appointed commercial director and to the board of NORWICH UNION Healthcare.

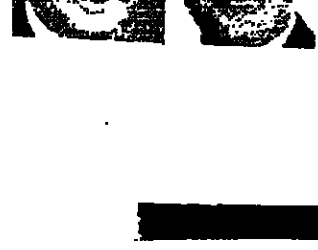
■ Stephen Buer has been appointed marketing and sales director for Europe of SEDGWICK Credit; he moves from Credit Insurance Association, part of Hogg Group.

■ Raymond Kite, formerly md of Alexander Howden's marine & energy division, has been appointed md of the marine division and to the board of JOHNSON & HIGGINS.

■ Terence Mattholie has been appointed general manager and secretary of The BAPTIST INSURANCE COMPANY on the retirement of Maurice Purver.

■ Andrew Torrance (below left), formerly md of its commercial lines operation, has been appointed director, group insurance operations at ITT LONDON & EDINBURGH.

■ Anders Haggo (below right) has been appointed md of AON Entertainment (Europe).



Flamboyant director of Rome Opera resigns

Giampaolo Cresci, controversial director of Rome Opera, has resigned. His sudden departure from the post, two years before his contract was due to expire, ends a flamboyant regime marred by a L35bn (£14m) deficit, spectacular backstage rows and talk of scandal.

In the latest crisis, Cresci was summoned to appear in court with the singer José Carreras over allegations that the opera house paid the Spanish tenor an unauthorised extra L130m – on top of the normal fee of L30m plus L10m expenses – for a recital in October 1992.

The public prosecutor claims that a decision was taken to make an extra payment to Carreras and describe it in accounts as "sponsorship". Magistrate Filippo Laviano is seeking to try Cresci on charges of abuse of office. Carreras' agent, through his lawyer, denies any wrongdoing on the part of his client, saying that the singer was paid rather less than his usual fee. The agent does not, however, disclose the sum actually paid.

The allegations follow a succession of sackings and rehirings and accusations of extravagance of heroic proportions recalling, according to one Italian newspaper, a Byzantine court in the last stages of decadence. A payment of L27m was allegedly made for unnecessary

Dogged by debt and allegations of Byzantine extravagance, the opera house has been dubbed 'Barnum's Circus'

English language courses for the opera house fire brigade. L51m went towards a New York production of *Aida* which never took place. Recently, more than 1,200 operatic costumes were impounded by a renovation company, which threatens to sell the costumes at auction in May if the opera house does not pay its bill of L1.25bn.

There have also been accusations by Roman concert institutions that the opera house filched artists under exclusive contract to them (Rockwell Blake from the Accademia Filarmonica Romana and Georges Pretre from Santa Cecilia, who was later forced to return).

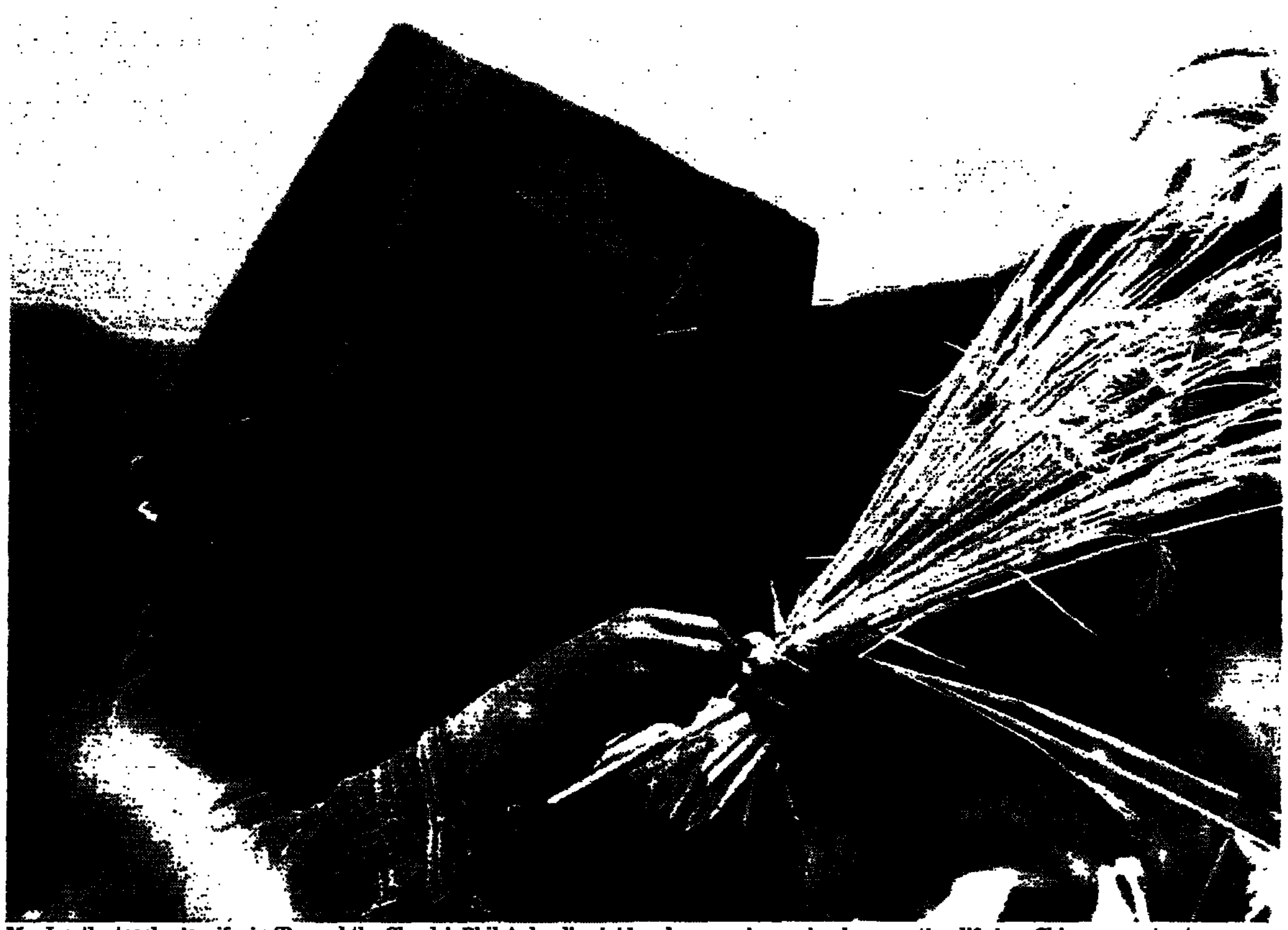
So catastrophic was the financial situation at the opera house that the "Green" mayor of Rome, Francesco Rutelli, appointed himself Rome Opera commissioner and delegated the unravelling of the theatre's finances to Vittorio Ripa di Meana.

"We can no longer allow the director to continue," said Rutelli. "We have already waited far too long as more and more terrible stories about the financial mess at the opera emerge every day." Cresci was unperturbed and dismissed the deficit as "a mere trifle . . . no more than the cost of a few tanks." He went on to add, with unnerving candour, "only an infinitesimal part of it went into bribes."

Last week, both Rutelli and di Meana resigned in exasperation at Cresci's intransigence and the deputy prime minister, Senator Antonio Maccanico, was obliged to step in. By the weekend, it was Cresci's turn to step down and his resignation was accepted, while Rutelli and di Meana agreed to return to their posts.

The queue to take over the job of director of Rome Opera, dubbed by Riccardo Muti as "Barnum's Circus", is not enormous. It is viewed by some as a poisoned chalice. Mayor Rutelli's choice, Sergio Escobar of the Bologna Comunale, has already let it be known that he would rather remain where he is. The search for a successor goes on.

Jennifer Grego



Mrs Lu, the teacher's wife, in 'Beyond the Clouds', Phil Agland's vivid and engrossing series documenting life in a Chinese country town

Television/**Christopher Dunkley**

So far, it's still looking good

During the last few years as the government has driven British television further and further into the market-place – (Well that system has triumphed, hasn't it? Socialism is dead isn't it? Why should television be unaffected?) No doubt the long march back to a sane mixture of market and social economics will take a whole generation) – with ITV licences being auctioned, Channel 4 made to sell its own advertising time and compete with ITV, and the BBC's income ever more closely scrutinised and controlled, this column has tended to make Cassandra-like warning noises about the quality of programmes.

The argument has been that a fiercer fight for audience share would mean increasing concentration on populist programmes and the reduction or even abandonment of those admirable traditions which, in addition to populist material, Britain's peculiar television "duopoly" had been bringing us for 40 years: current affairs in mid evening, classic drama, properly funded foreign coverage, arts programmes, serious documentaries on subjects other than prostitution and transvestites, and comedy which goes beyond "Ding-dong Honey I'm home" to push and even kick at the existing limits.

Though the BBC's problems will probably never be entirely soluble, as was suggested in an oddly ambivalent opening programme in a new run of *The Goldring Audit* on Channel 4 on Sunday, and ITV has been operating under its auctioned licences and its new central scheduling system for only 14 months, with Channel 4 funding for itself for the same period, the time has come for a cautious admission that – so far, anyway – the sky has not fallen. We are not being subjected to an unrelieved diet of populism.

That is not to deny that there is a lot of it about. From *The Big Breakfast* on Channel 4, aimed at toddlers of all generations, to *Talking Telephone Numbers* on ITV, a sort of game show without a game; from a copy of an amoral Brazilian series on BBC1, *Do The Right Thing*, with Terry Wogan, to the sub-panto game show *Don't Forget Your Toothbrush* on Saturday nights on Channel 4, the mindless, time-passing bonhommie spreads and multiplies. Yet any honest viewer would have to admit that British television is still offering more good and even excellent material than any well balanced individual ought to have the time to watch. Perhaps it is not scheduled as you might wish, but what is the point of a video recorder?

This new year season has already brought us *Middlemarch* from the BBC, an adaptation which was not as good as some devotees pretended, nor as good as the best literary adaptations in the past, *Bleak House* for instance, and *Brideshead Revisited*. One of the greatest strengths of the television *Brideshead* came from John Mortimer's decision to use the authorial voice-over throughout. Why it was decided with *Middlemarch* to throw away this invaluable technique by limiting it to a postscript (read in the unmistakeably mumsy tones of Judi Dench) is a mystery. However, even without it, this was an impressive series which showed that the BBC can – and will – still do it.

It now seems highly unlikely, barring more radical changes, that ITV will ever do another *Brideshead*, but on Monday they did begin another batch of Granada's splendid *Memoirs Of Sherlock Holmes*, 60-minute costume dramas complete with hansoms, country house locations and, this week, a costume ball with fountains and fireworks. Best of all Jeremy Brett and Edward Hardwicke are still playing Holmes and Watson, the best pair ever to do so on screen. Nor are we limited to fiction from previous centuries. BBC2 began another season of "Screen Two" with the extraordinary *Genghis Cohn*, a production with the chutzpah to use comedy as a means to look again at the holocaust. With wonderful performances from Antony Sher as the Dachau ghost and Robert Lindsay as the former SS officer who shot him, it was perpetually watchable even if the ultimate purpose was obscure.

So far as current affairs in mid evening are concerned, until three weeks ago there was as much as ever: *World In Action* is still at 8.30, *Dispatches* (which offered an interestingly alternative view to the government's on Britain's mining industry last week) at 9.00, and *Panorama* at 9.30. True, at present *The Big Story*, which replaced *This Week* on ITV, has itself been replaced by *The Big Race* which, lacking competitors, ought really to be called "The Long Drive". However, ITV has been as good as its word on *Network First* (a dreadfully unmemorable title in place of *First Tuesday*) and two weeks ago screened the film about a massacre in East Timor, made clandestinely by John Pilger and David Munro. As usual with this pair it is now causing a huge political row, which is presumably just what they wanted.

We are not being subjected to an unrelieved diet of populism despite fears that quality would suffer in the fiercer fight for audience share

We are getting more vivid and engrossing foreign coverage in Phil Agland's Channel 4 series *Beyond The Clouds* which is documenting life in a Chinese country town and coming over as a cross between Margaret Mead and *Coronation Street*, all displayed in Agland's startlingly beautiful photography. And on Monday BBC2 began *Video Nation*, a huge "Mass Observation" style programme in which 55 video cameras have been given to 55 widely assorted people throughout Britain. Remembering the striking success of the *Video Diaries* scheme, this could prove to be very special – particularly if BBC2 can be persuaded to show it in bursts of more than two minutes.

To make us laugh we have *The Day Today*, a series which is not only one of the most original comedies for years, but one of the most effective pieces of television criticism. Trevor McDonald and Jeremy Paxman now appear to be mimicking their detractors in a madly determined effort to. Confirm all those quirks which *The Day Today* has so accurately identified.

Of course I may be speaking too soon. It could be that British television today is in much the same condition as the optimist who was pushed off the roof of the Empire State building and was heard as he passed the 44th floor to be muttering "So far, so good". It does seem only fair, however, to acknowledge that – for the moment – the best of British television is still looking pretty impressive.

Sacred fires flare amid quaint Flamenco capers

Clement Crisp finds the Cristina Hoyos troupe has that uninhibited, raw, earthy energy after all

A Spanish Arts Festival is upon us and dance must inevitably play its part. So the Cristina Hoyos troupe is in Rosebery Avenue this week, with the spectacle given the unlikely title of "Flamenco Dreams": anyone able to dream through the rattle of handclaps and the clatter of feet will deserve a medal. It is of course, yet another Flamenco show; more slick than most – well staged; well danced; well vocalised in those arabesques of howling that suggest permanent pressure on a favourite corn – and absolutely the mixture as before.

The fascination of Flamenco in the theatre is that moment when production falls away, the usual posturings are stilled, and the sacred fire flares in a dancer. For much of Monday night's opening at Sadler's Wells, predictability was all. The women, adept at slow-burning glances as their skirts stir up the stage dust, look lovely – if occasionally miffed by what the men are up to. The chaps, in buttock-hugging trousers and expressions of baleful uncertainty, stamp, and go on stamping. ("Never live under a Flamenco dancer," is a good rule for flat-dwellers.) Guitars run the gamut of tonic/dominant harmonising, and voices are raised in what I suppose is supplication. I have no Spanish, but suspect that the texts amount to little more than "Watch out, she's on the war-path".

All this is what we have come to expect, and if, as with Mme Hoyos' troupe, it is polished and well-lit, then audiences are happy. They are what theatricalised folk dance is always about: instant quaintness and capers designed for tourists. But in this packaging one may, as in a lightning flash, discern the real thing. The greatest Flamenco artists spontaneously combust. As Isadora Duncan said after one extraordinary performance: "The god was with me". So with the inspirational flamenco style. Carmen Amaya, the truest Flamenco dancer I have seen, was, at her most intoxicating, a gypsy divinity pursued by demons. *Cumbre Flamenca*, at the Wells a few years ago, showed us two other marvels: Carmen Cortes and La Chana, whose art became incandescent with rhythm and the very spirit of the dance.

With Cristina Hoyos, I feared that this transcendent moment might not arrive. Her initial appearance – red flounces; arching torso; a star dancer on display – told of obviously fine qualities that have always been hers: glorious arms; electric timing. Yet it was an exteriorised performance, and like most of what we saw, brilliantly contrived. Then, in a *Taranto*, Mme Hoyos came on stage in a simple grey dress, as if to confront her art and her own talent. Guitarists and singer started to commune with her. Urgent rhythms, awkward poses, the dance kicking and battling, inhabited her totally, and we saw the real, the raw and earthy flamenco which is so wonderful – and so rare. Her arms curled around the block of her torso; the music's pulse drove her feet and legs; nothing was polite, and everything was thrillingly true. The god was with her, and we rejoiced.

Lest I seem in the least sniffy about the Hoyos troupe, let me say that every artist is gifted, each number well-staged, and that prodigies of stamping and rhythmic acuity abound. Adrian Galia is a most stylish soloist – his solo farucca tautly elegant. The evening runs to 100 minutes without an interval.

Cristina Hoyos is at Sadler's Wells until March 12. Sponsored by Hola and BSIS. Festival sponsors include Royal Bank of Scotland; Banco Santander; BSIS; BT.

INTERNATIONAL ARTS GUIDE

■ BORDEAUX

Palais des Sports Tonight, tomorrow: Moshe Atzmon conducts Orchestre National Bordeaux Aquitaine in works by Messiaen, Paganini and Dvorak, with violin soloist Régis Pasquier. Sat (Grand-Théâtre): Zino Vinnikov conducts Handel, Mozart and Shostakovich (5648 5854)

■ COLOGNE

Philharmonie Tonight, tomorrow: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Beethoven and Strauss, with piano soloist Lars Vogt. Fri: Franz Welser-Möst conducts London Philharmonic in Haydn, Bartok and Shostakovich. Sat: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in Brahms and Bartok. Sun afternoon: Borodin Quartet. Sun evening: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in symphonies by Schumann and Brahms. Tues: Andreas Schmidt song recital. Next Wed: Wolfgang Sawallisch conducts Vienna Symphony Orchestra. March 20: Andras Schiff. March 22: Eartha Kitt. March 23: Alfred Brendel (0221-2801)

Opernhaus This month's repertory includes Fidelio with Ben Heppner and Lisbeth Balslev, Rigoletto with Leontina Vaduva as Gilda and Harry Kupfer's production of Shostakovich's The Nose. Heppner sings the title role in a new production of Peter Grimes opening on March 27 (0221-221 8400)

Schauspielhaus A stage adaptation of James Joyce's Molly Bloom opens at Westend Theater on Sun. Repertory includes Werner Schroeter's new production of Camus' Caligula, Shakespeare's As You Like It and Günter Krämer's radical version of Fiddler on the Roof (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight, Mon: new ballets by Anna Laerkesen and Laura Dean. Tomorrow: Cosi fan tutte. Fri: Otello. Sat, Tues: Helgi Tomasson's new production of Sleeping Beauty. March 17: first night of new production of Fidelio (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper This month's repertory includes Harry Kupfer's new production of Handel's Belshazzar with cast led by Iris Vermillion and Jochen Kowalski, Salome, Der fliegende Höllander, Capriccio and Prokofiev's ballet Romeo and Juliet (0351-484 2323)

Kulturpalast Hans Graf conducts Dresden Philharmonic Orchestra on Sat and Sun in an all-Beethoven programme, with Pierre Amoyal soloist in the Violin Concerto (0351-486 6666)

■ DUSSELDORF

Deutsche Oper am Rhein This week's repertory is devoted to ballet. Tonight: two Heinz Spoerli works. Tomorrow: choreographies by Balanchine, Van Manen and Spoerli. Fri: mixed bill including Forsythe's In the middle. Sat: Spoerli's production of Giselle (0211-890 8211). Duisburg Theatre has Aribert Reimann's 1992 Kafka opera Das Schloss tomorrow and Sat, Salome on Fri and Ariadne auf Naxos on Sun (0203-300 9100)

Schauspielhaus Repertory includes Eugene O'Neill's Mourning Becomes Electra directed by Werner Schroeter, Klaus Pohl's play about German xenophobia Die schöne Fremde, and three plays directed by David Mouchtar-Samorai – Gorki's Summer Folk, Kleist's Amphitryon and Shakespeare's Troilus and Cressida (tickets 0211-369911 information 0211-162200)

■ FRANKFURT

Alte Oper Tonight: Borodin Quartet plays Shostakovich. Tomorrow, Fri: Pinchas Zukerman is conductor and violin soloist with Frankfurt Radio Symphony Orchestra in works by Mendelssohn, Schumann and Neikrug. Sat: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in symphonies by Haydn and Bruckner. Sat (Mozart Saal): Michael Gielen conducts Ensemble Modern in works by Varese, Cerha, Webern and others. Sun, next Tues: Richard Goode plays Beethoven piano sonatas. Mon: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in symphonies by Schumann and Brahms. Tues: Lilya Zilberstein piano recital (069-134 0400)

Jahrhunderthalle Hoechst Tomorrow, Fri: Nederlands Dans Theater in choreographies by Van Manen, Lightfoot and Kylian. Sat: Franz Welser-Möst conducts London Philharmonic in Schumann and Bruckner, with piano soloist Mitsuko Uchida (069-360 1240)

Oper Tomorrow, Sat, Mon: Simon Boccanegra with José van Dam in title role. Sun: Sylvain Cambreling conducts first night of Herbert Wernicke's new production of Duke Bluebeard's Castle, with Hentk Smit and Katherine Ciesinski (069-236061)

English Theater Kaiserstrasse The company's popular production of the gangster musical Chicago continues till March 19, and will be succeeded on March 25 by a production of Arthur Miller's 1991 play The Ride Down Mount Morgan (069-2423 1620)

■ GOTHENBURG

Konserthuset Tonight: Neeme Järvi conducts Gothenburg Symphony Orchestra in symphonies by Schubert and Shostakovich. March 16: Academy of St Martin in the Fields (031-167000)

■ HAMBURG

Staatsoper This month's repertory includes a Ring cycle conducted by Gerd Albrecht, with Günter von Kannen, Simon Estes, Gabriela Schnaut and Siegfried Jerusalem in leading roles, and a new production of Henze's Die Bassariden, staged by Christine Mielitz and conducted by Markus Stenz. Dmitri Hvorostovsky gives a song recital on March 21 (040-351721)

■ HELSINKI

Finnish National Opera The main event this week is the first night on Fri of a programme of Stravinsky ballets, including the world premiere of Jorma Uotinen's Petrushka (repeated March 15, 17, 18, 23, 24). Repertory also includes Yevgeny Onegin and Otello (0-4030 2211)

■ LEIPZIG

Gewandhaus Tomorrow, Fri: Marek Janowski conducts Gewandhaus Orchestra in Messiaen's Turangalila Symphony. Sun: David Geringas is cello soloist with MDR Chamber Philharmonic. Sun evening: Gewandhaus Wind Quintet. Tues: Daniel Nazareth conducts MDR Symphony Orchestra in works by Mozart and Mahler (0341-713 2280)

Opernhaus Tomorrow: Fidelio. Sat: Elektra (0341-291036)

■ MUNICH

Staatsoper This month's repertory includes Lady Macbeth of Mtsensk with Marilyn Schmiege and Jan Blinkhof, Der fliegende Holländer with Robert Hale and Julia Varady, John Cranko's ballet Onegin and Peter Wright's production of Giselle. Richard Jones' new production of Giulio Cesare opens onMarch 21 (089-221316)

Gasteig Tomorrow: Maurice André plays baroque trumpet concerts with Württemberg Chamber Orchestra. Sat, Mon, Tues: Sergiu Celibidache conducts Munich Philharmonic Orchestra in works by Mozart and Fauré. Sun: Hanns-Martin Schneidt conducts Munich Bach Orchestra and Chorus in Handel's Messiah, with soloists including Alastair Miles and Edith Wiens. Next Wed: an evening with Peter Ustinov (089-4809 8614)

■ STOCKHOLM

Royal Opera Tonight, tomorrow, Fri: Natalia Makarova's production of La Bayadère. Sat, Mon: La boheme (tickets 08-248240 information 08-203515)

Konserthuset Tonight: Gennady Rozhdestvensky conducts Royal Stockholm Philharmonic Orchestra in Brahms' First Piano Concerto (Viktoria Postnikova) and Nielsen's Second Symphony. Tomorrow: Bengt-Ake Lundin piano recital. Sat afternoon: Rozhdestvensky conducts Brahms' Second Concerto and Nielsen's Third Symphony (tickets 08-102110 information 08-212520)

■ STRASBOURG

Palais de la Musique Tomorrow, Fri: David Shallon conducts Strasbourg Philharmonic Orchestra in works by Dvorak, Rakhmaninov and Stravinsky, with piano soloist Tzimon Barto. March 23 and 27: concert performances of Roberto Devereux with Edita Gruberova (8852 1845)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

Allies' shaky footing

Croats and Bosnian Moslems make uneasy partners

Is it war or peace?
Peace, but not the kiss of peace.
A patched up affair, if you ask my opinion.
And if you ask me, I think that this peace
Is nothing like an end, nor like a beginning.
T.S. Eliot – Murder in the Cathedral

Such is most people's instinctive reaction to last week's US-brokered agreement between Croats and "Bosniacs" (Bosnian Moslems). It came so suddenly, after nearly a year of savage fighting, in which both sides emulated the methods used earlier by the Serbs to "cleanse" the territory they held of other ethnic groups.

Publicity about the Croat-Moslem war has focused on the plight of the Moslems in and around Mostar, and on the intervention by the Croatian regular army. This partly obscured the fact that in central Bosnia the Moslems have been winning the war and the Croat inhabitants have fled from a string of towns: Travnik, Bugojno, Fojnica, Konjic, Kakanj and others.

That explains the US-brokered agreement. The policy pursued by President Franjo Tudjman of Croatia, which was to support a separate Croat state of "Herceg-Bosna" as the prelude to an eventual partition of Bosnia-Hercegovina between Croatia and Serbia, has proved a disaster for the Croats. The Croatian army had not succeeded in retrieving this disaster, but its attempt to do so had brought down the west's wrath on Croatia's head.

In Croatia itself, the increasingly visible alliance with Serbia was unpopular. All over Croatia there are refugees from the areas, amounting to roughly one-third of the republic's territory, which were conquered by Serb forces in 1991. These refugees, and many of their fellow-citizens, were outraged at the sight of their own government conniving with the Serbs in the carve-up of Bosnia.

So Mr Tudjman was glad enough to use US pressure and mediation as cover for his admission of defeat – just as President Slobodan Milosevic of Serbia, and the Serb leaders in Bosnia, seized on Russian intervention to cover their retreat when faced with a serious threat of Nato air strikes.

The Nato action may also have helped to swing Mr Tudjman round. Croatia, whose whole *raison d'être* as an independent state derives from its self-image as part of the west (in contrast to the "Byzantine" Serbs), could not possibly take the Serb side once a serious confrontation developed between Serbia and the west. If the west is now at last getting tough with the Serbs, Croatia is bound to put itself on the western side, in the hope of regaining control of its lost territory.

If the Serbs did not fear a Moslem spring offensive, they would not make concessions

That indeed is the explanation of his *volte-face* that Mr Tudjman gave to the Croats. For him the agreement is not really about Bosnia at all. A deal with the Bosnian Moslems is simply the price the US requires Croatia to pay for help in recovering Krajina. It seems there is some truth in this presentation of the matter, since US spokesmen have started saying that sanctions on Serbia will not be lifted until the Krajina issue is resolved.

Meanwhile, it is not entirely clear how the Bosnian government interprets the Washington agreement. Most international reaction has taken it as a step towards a "two-republic solution" in Bosnia, based on the acceptance that the Serbs of Bosnia will have a separate state of their own, linked to Serbia, and that therefore it makes sense for the Moslems and Croats to pool their resources and develop links with Croatia. This interpretation seemed to be confirmed by the Bosnian prime minister, Haris Silajdzic, when he said in Washington last week that Russian pressure is needed to get the Serbs to agree to a negotiated solution.

But another interpretation is doing the rounds in the small pro-Bosnian lobby in London. According to this view, the new Croat-Moslem alliance is a step towards the defeat of Serbia. The Bosnian army has proved itself in battle against the Croats, but also against the Serbs, for instance near Banja Luka where small groups of Bosnian partisans have held far more heavily armed Serb forces at bay. Now, with or without a formal lifting of the arms embargo, the Bosnian army will be strengthened by the Croats' change of sides and the opening of supply routes from the coast.

Such hopes are mirrored by Serb fears, as reported in an AP despatch from Banja Luka at the weekend. The author, Julijana Mojsilovic, reports Serb fighters as dreading a Moslem spring offensive. Superior Moslem numbers and morale are beginning to tell in thickly-wooded terrain where heavy artillery is of little use.

It is tempting to believe that the hold of Mr Radovan Karadzic, the Serb leader in Bosnia, and his thugs could be broken by a short, sharp spring offensive with western support. It is tempting to believe that the Serbs would then agree to peace on similar terms to the Croats, joining the new federal republic, while Serbia itself could join the proposed confederation with Bosnia and Croatia – thereby recreating a loose, confederal Yugoslavia such as the Croats and Slovenes were demanding before the war broke out.

Tempting, but dangerous. It is good that the Serbs should fear a spring offensive, since without that fear they are unlikely to make the territorial concessions which are essential for a two-republic solution to work. But the Bosnian government would be taking a risk with the lives of its own citizens if it spurned such a solution and staked everything on a continuation of the war. And those in the west who support the Bosnian cause would take a great moral risk if they encouraged the government to adopt that course.

THE FT INTERVIEW: Sir Denys Henderson, chairman of ICI

Corporate camps divide and prosper

It is only eight months since Imperial Chemical Industries split itself in two, and already the world seems almost to have forgotten the fact. Two weeks ago, the first full-year figures from the new ICI passed off without fanfare. Last week's results from its sister company Zeneca were equally routine. One of the most drastic upheavals in British corporate history seems to have passed off with scarcely a ripple.

This arouses mixed emotions in the breast of Sir Denys Henderson, chairman of both ICI and Zeneca. On the one hand, he argues, silence suggests the demerger was a good thing. If it had shown signs of going wrong by now, "everybody would have been jumping up and down pointing out what a balls we'd made of it".

So far, the evidence is all the other way. ICI's pre-tax profits last year were up 78 per cent, Zeneca's 42 per cent. More fundamentally, since the demerger was announced in July 1992, the combined value of the two companies has risen by two-thirds, while the stock market has risen only by half.

On the other hand, Sir Denys is plainly irked that so little credit has been given for what he calls "the greatest management story never written". As he tells it, the main feature of the exercise was the sheer hard slog involved: not just hammering out the basic plan, but then sorting out the legal, fiscal and commercial tangle of splitting up 500 companies and 130,000 people across the world.

This prompts an obvious question. Before demerging, ICI reviewed all its strategic options. The one it plumped for was the most risky and time-consuming. Given the drawbacks, what made demerger so very desirable?

Sir Denys has the answers off pat. Consider, he says, how the world of the 1990s differs from anything that has gone before. Economic growth is going to be slow and painful. The classical chemical industry has largely run out of ideas. It faces competition from new parts of the world, such as the Asia Pacific region, and is obliged to spend more on the environment than it can readily afford. The collapse of communism has created chaos in the markets of eastern Europe, and has harmed a valuable customer in the form of the defence industry.

Fair enough. But still, why was demerger the best answer?

The answers here are murkier, since they concern not only external factors but the internal workings of ICI. The truth seems to be that demerger was the only way to address flaws inherent in the ICI culture; and Sir Denys, a company man to his backbone, is not about to criticise ICI if he can help it.

Tony Andrews

Sir Denys Henderson: 'None of us saw this as a magic wand'

To begin with, it is clear that the abortive raid on ICI by the acquisitive conglomerate Hanson in May 1991 was more formative than ICI has previously cared to admit. It caused Sir Denys and his board colleagues to address themselves afresh to two central constituencies: ICI's shareholders, and its managers. The response from both was unsettling.

"We had the naive belief," Sir Denys says, "that in the heart of every fund manager was a little bit labelled ICI." In fact, many of the institutions proved indifferent or hostile. At the same time, the directors sounded out their senior managers. Again, Sir Denys says, the reaction was unexpected. "They clearly did not wish to have Hanson come in, but equally they were less convinced about the cohesion of ICI and the synergy across the group than we had imagined."

The important point here is that if Hanson were to bid, it would have been on the basis of a break-up. The obvious defence would be that ICI was an indivisible entity. Its managers were no longer sure about that. Nor, on reflection, were the directors.

The purpose of a break-up would be to release shareholder value. This was a point on which ICI's directors were becoming increasingly aware of their shortcomings. Historically, Sir Denys says, shareholders had occupied a humble position in the ICI scheme of things. "A predecessor of mine – no names, no pack drill – said to me, 'Denys, you seem to spend a lot of time worrying about the share price. I'm not bothered about it. I just want to get the technology right'."

Historically, this is unsurprising. The 1950s and 1960s were a period of phenomenal growth for the chemicals industry. "Even when I joined ICI in 1959," Sir Denys says, "we had sales control departments. You could sell every damned thing you could make."

In spite of oil shocks and recessions, traces of this attitude seem to have survived into the 1990s. The chief executives of the individual businesses, Sir Denys says, were slow to accept that shareholder relations, dividends, tax and interest bills at the corporate level were their concern. This, he says, lay at the heart of a further problem: that they were unduly optimistic about what they could achieve.

'Be clear on one thing. It will be a while before each company proves how it can grow'

As a result, he says, ICI's investments had not been delivering the goods. The remedy was plain: "The CEOs needed to understand that there had to be a corporate performance and a corporate relationship with shareholders."

The reaction of these same CEOs to the demerger proposal was thus crucial. Ten days before the demerger was made public, they were summoned to the head office. The message was that the board was unhappy with their results and wanted them to explain themselves.

"They all came in, somewhat apprehensive," Sir Denys says. "I started off by saying: 'we aren't happy, that's all true, but there's a little bit more than that'." On being told of the demerger, he says, "they were first of all stunned, then their reaction was universally favourable."

Ten days later, at the final briefing, some were showing signs of second thoughts. "There was a feeling of 'hmm – this is going to carry more exposure with it. With greater responsibility comes greater accountability'."

According to Sir Denys, though, the first reaction proved the right one. The CEOs, he says, have enjoyed a release of energy. "There is a better interaction with the centre. They have a better opportunity to put across their viewpoint, not just on their individual business but the company as a whole."

One practical instance is that both Mr Ronnie Hampel, chief executive of the demerged ICI, and Mr David Barnes, his opposite number at Zeneca, now have regular monthly meetings with their CEOs. In the old ICI, Sir Denys says, this was not feasible.

"When I was first a division chairman, I used to go to the quarterly business meetings which the main board would have with the equivalent of the business CEOs. They were pretty useless meetings. Everybody was busy showing what a splendid chap he was and how well his business was doing."

ICI, in short, was suffering from a baronial culture, in which the chiefs were more concerned with competing than with the corporate good. Sir Denys points out, a touch defensively, that in any large corporation there will always be tension between the centre and the individual businesses. But the real snag about the baronial culture, it is clear, was that it made it harder to allocate capital for investment.

"We were too much concerned with fair shares for all," Sir Denys concedes. As a result, some of ICI's more geriatric businesses – Sir Denys's phrase – were cross-subsidised when they should have been given the bullet.

A large part of the argument for demerger is that in the 1990s, speed of response is more essential than ever before. Hence the case for demerger, whereby the suppression of sectoral interests allows faster reaction towards a common purpose.

But as Sir Denys freely admits, structural change is only the starting point. "Be clear on one thing," he says. "It will be quite a while before each company proves how it can grow. None of us saw this as a magic wand. It's the opening of a door, and it's saying to each company 'you have a new start, but you've got to get on and deliver'."

Tony Jackson

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Prominent criticism

From Mr Graham J Chambers.

Sir, Mr Savic (Letters: "A lesson for the self-righteous", March 5) suggests that Malaysia "is reacting to the proposition that the British and other western governments ... generally know better".

Dr Mahathir said nothing like that. The Malaysian prime minister's grievance, as the FT editorial comment (February 28) stated, is with the UK press, and as the wealthy libel lawyers would perhaps testify, he is not alone.

If Mr Savic thinks the Murdoch press is in hock to the government, then many hapless members of this administration can draw comfort from avoiding the mauling they might have received from a less sympathetic organisation.

As far as the government is concerned, you quote the essential charge as being one of hypocrisy. If that is all, then we can all sleep easily, as nothing fundamental has changed. Linking money to services provided is not new. I understand it has even been known to happen in journalism.

However, Mr Savic may wish to ponder the premise that, if the situation had been reversed, would a similarly critical letter have received as much prominence in Malaysia's New Straits Times?

Graham J Chambers,
26D Shepherds Hill,
London N6

CAP reforms or protectionism

From Jörg Schimmelpfennig.

Sir, The warning issued by Mr Rene Steichen, EU agriculture commissioner ("East Europeans warned against farm protectionism", March 4), reveals the blatant arrogance of the Common Agricultural Policy.

As Professor Paul Krugman has shown in a seminal article published in 1985, in an industry exhibiting increasing returns to scale – such as agriculture – import protection is in many ways equivalent to export subsidisation.

The intuitive idea is easy to grasp: by hindering farm inputs, domestic agricultural production is increased, per unit costs are reduced and, thus, export chances enhanced. By the same argument, a popular fallacy about the CAP can be exposed as well: instead of assisting developing countries by lowering their food prices, it cripples their farming industries and deprives them of foreign exchange earnings.

Consequently, Mr Steichen's demands amount to nothing else but denying east European countries the same weapon the EU is employing against them. Without any real CAP reforms, we shouldn't be surprised to see agricultural protection continue its disastrous spread.

Jörg Schimmelpfennig,
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Germany

Serious fraud investigations should not take forever

From Mr David Lloyd-Jacob.

Sir, You report that in response to a parliamentary question about the Serious Fraud Office's investigation of matters involving the flotation of this company, the attorney-general said that the investigation was being "pursued rigorously" ("Call for early Butte inquiry verdict", March 1).

The attorney-general is no doubt practised at believing the improbable.

The truth of this matter is that the Serious Fraud Office investigation, for the first 18 months, was understaffed and ill-directed.

It has been much improved in the last two months, however.

This is not a criticism of the individual police officers, who have behaved excellently; it is a criticism of their direction, and of the inappropriate nature of the resources allocated by the SFO to investigate a £100m fraud.

It would be a pity if it were generally believed that serious fraud investigations in Britain had to take forever and be done badly.

With proper briefing and direction, successful fraud investigation in cases such as Butte should take months, not years.

David Lloyd-Jacob,
chairman,
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Two-pronged trade game

From Professor Ronald Dore.

Sir, When US President Clinton punishes the naughty Japanese by banning one of their lucrative exports, how should the Japanese respond in this gentlemanly game of tit-for-tat? Instead of refusing to buy American soya beans or oranges, why not ban the export of something – liquid display screens, for instance?

As to how to prevent this slowing recovery from the recession, the European Union has shown the way. Build up an LD mountain by government purchases and sell off cheap to America's competitors.

Ronald Dore,
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London WC2A 2AE

Non-executives' role was the focus of quotation

From Mr Owen Green.

Sir, Sir David Plastow's letter ("Non-executive directors' input is invaluable", March 5) appears to be a delayed knee-jerk reaction to my Pall Mall lecture.

A reader may prefer my generally accepted, though quite sparing, use of hyperbole – "blunting the edge" – in making a point, to his somewhat crude rebuttal – "ill-informed nonsense".

After all, one does not need to have been an automotive engineer in order to recognise the difference between the essentials of a vehicle and its trim.

As a matter of record, the quotation related not to non-executive directors as such but to those requirements of a code which over-emphasise their monitoring role; their independence from the business of the company; and to their control over decision-making activities.

Sir David has been fortunate, or otherwise, in that his many experiences appear to have arisen through company needs rather than from regulatory requirements.

Owen Green,
Edgehill,
Succombs Hill,
Warlingham,
Surrey,
CR6 9JG

Cosy club where favours can be reciprocated

From Mr Bill Budden.

Sir, I am not surprised by the praise that Sir David Plastow heaps on to non-executive directors (Letters, March 5). He would say that, wouldn't he?

Of course he wishes to perpetuate this cosy club within which chairmen may reward others for past favours or grant retainers and expenses for a few days' attendance a year in exchange for the same favour on the other's board. It is also a means of enhancing pensions for retired MPs and others.

Do Americans call them free-loaders?

I recall the high numbers of non-execs who served on the boards of some of our one-time great companies like Rolls-Royce and Dunlop before they went into decline. I remember how many times, when the Serious Fraud Office has been called in elsewhere, the non-execs have departed crying: "These facts were not available to me."

Why is it that company directors think they should receive several concurrent incomes at shareholders' expense?

I applaud the policies of BTR, Lonrho and Amstrad. Who is Cadbury anyway?

Bill Budden,
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FINANCIAL TIMES
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Wednesday March 9 1994

How Europe can compete

The European Union plc is not engaged in a zero-sum struggle for economic survival with the US, Japan, or even China Inc. On the contrary, peaceful economic relations with other economies offer opportunities for mutual enrichment. The question is whether Europe can take advantage of those opportunities. Only thus can it hope to offer a steadily rising standard of living to all Europeans.

The EU has much upon which to build. Its member states possess only 6½ per cent of world population, but generate 25 per cent of global economic output, at market exchange rates, and 18 per cent, even at purchasing power parity. Its disproportionate share in global economic activity, though bound to fall, demonstrates how large is the reservoir of physical capital, skills and knowledge on which it is able to draw. Nor has recent overall performance been notably dismal: total EU output has risen 30 per cent since 1980, the increase being almost as large as China's total gross domestic product in 1990.

Current gloom is exaggerated, this being partly because of the recession. But there is reason for gloom, all the same, as the FT series on European competitiveness, concluded today, has shown. Total EU employment is, for example, up only 6 per cent since 1980, against 18 per cent in the US; output of manufactures is up 18 per cent over the same period, against 36 per cent in the US; and the share of EU external exports in world exports of manufactures is down from 22 per cent in 1980 to 18 per cent in 1982.

Patent filings in Europe have not increased since 1987, while in the US they have risen by 30 per cent. European spending on research and development has declined over the 1980s, relative to that in the US and Japan. High technology products account for nearly a third of US exports; but less than a fifth of those from western Europe. To this picture should be added the odd telling vignette. General Electric of the US targets European competitors, but avoids Japanese ones, while airline operating costs are 48 per cent higher than in the US.

Europe suffers from high unemployment and poor job generation. European firms tend to be weakest in the world's most dynamic industries. And the European economy's poorest performance is in industries most exposed to international competition.

National champions

What lies behind the failures? First, far too much of the European economy remains shielded from competitive pressures. Second, European monetary policy has occasionally been seriously misjudged. Third, labour costs are too high and the labour market as a whole too heavily regulated and taxed. Finally, business has too often failed to respond to the challenges of the market place.

Solutions must be found partly at the level of the EU as a whole, partly by the individual member states and partly by businesses.

Too many sectors of the European economy remain protected from effective foreign competition and balkanised by the provision of state aids, the promotion of national champions, the persistence of regulatory barriers and use of discriminatory public procurement. At least one and often several of these limitations on competition apply to industries as important and diverse as agriculture, textiles and clothing, steel, aerospace and defence equipment, motor vehicles, pharmaceuticals, financial services, telecommunications, energy supply and civil aviation. Virtually all of them need to be subjected to greater competition and less protection, a job that falls to the EU as a whole.

Monetary policy is still a matter for member states, but under the ERM and now the Maastricht treaty, it is also increasingly a matter for the EU. Here serious errors have been made, with the current recession partly the result of an over rigid response to German unification. But now that both inflation and inflationary expectation in core countries of the EU have been lowered, the cost of disinflation should not need to be repeated.

Liberal approach

Management of the labour market, training and the welfare state is a task for member states. They are in a position to choose among elements of liberal and corporatist approaches to reform.

The liberal approach, often labelled the "Anglo-Saxon" model, would be based on labour market deregulation and lower taxes. Its main benefit is likely to be greater growth of part-time service sector jobs. Its major defect is likely to be less overall investment in skills and greater inequality in pay.

The corporatist approach, sometimes called the "Rhine model", would emphasise a shift in the tax burden from unskilled to skilled labour, combined with subsidies to unskilled labour and training, and an effort to keep the growth of real wages below the growth of labour productivity. The main benefit of this approach is likely to be more investment in skills and greater equality among working people. The main drawback is likely to be less job generation.

What is needed here is more experimentation. Each country can learn from others. But it can do so only if it is allowed to diverge from the others. The danger of the EU's social programme is that this desirable diversity might be prevented.

Finally, searching out market opportunities, exploitation of new scientific discoveries, linking up with institutions of learning, training workers and responding to competition fall largely on business itself. Too many businesses have remained dependent on the state. They must learn to become dependent on themselves.

There is a great challenge confronting the member states of the EU. It is, in President Clinton's phrase to "compete, not retreat". Much has already been achieved, in the single market programme, in the moves towards privatisation and liberalisation and in the lowering of inflation. But much also remains to be done.

The temptation to believe that Europeans cannot meet the new global competition will be strong. But it must be resisted, since a retreat into the cosy world of protection would doom Europe to rapid relative decline. Europe will never possess the uniform mass market of the US or the homogeneous culture of Japan. Its strength lies in its diversity, now contained within the integrating edifice of the EU. The task facing politicians is to find effective means of exploiting that diversity in order to serve the common ends of all its citizens.

Tilting windmills

The UK government will shortly begin to consider which renewable energy projects should qualify for subsidies under the latest round of the non-fossil fuel obligation. The Noffo, as it is known, obliges electricity companies to buy some of their power from generation sources other than coal, oil or gas, and it finances the extra cost by imposing a levy, currently 10 per cent, on electricity bills.

Although the greatest proportion of the levy goes to the nuclear power industry, about £20m a year is available to support "green" energy. The money is allocated through a combination of competitive bidding by applicants and ministerial judgments.

By all accounts, the new Noffo round will be heavily oversubscribed. Applicants are proposing a variety of projects ranging from solar and tidal power to landfill gas and coppicing. But the most numerous contenders by far are wind farms.

In the past, the subsidy has been seen as a benign element in a worthy environmental cause. But this time it coincides with an upsurge of public concern about the proliferation of wind farms in some of the country's most beautiful landscapes. The allocation of contracts will therefore be subject to close public scrutiny.

Contrary to the impression environmentalists would like to convey, the case for renewable energy is not very strong. There is no shortage of energy (the UK's oil and gas reserves continue to grow, and output is about to set new records), and there is little domestic technology to protect. The environmental argument carries some weight, but far greater gains could be achieved by raising the performance of existing plant than by encouraging uneconomic green projects.

An efficiency gain of only 3 per cent in energy use would save more electricity than could be produced from all the renewable energy sources likely to be up and running by the year 2000 – and would avoid the visual blight of much green power.

Unfortunately, Noffo money can only be spent on renewables. There is some consolation in the fact that the system of competitive bidding is a spur to efficiency. But since the government sees Noffo as a talisman of its commitment to environmental matters, there is doubt about the rigour with which it vets the projects which come before it. The only justification for subsidising any power project, renewable or otherwise, is if it can stand on its own feet within an acceptable time frame. The taxpayer owes no favours to green power.

Wonder fuel to burning question

World stockpiles of plutonium are growing. Clive Cookson and Bronwen Maddox examine the problems of keeping it safe

The concrete bunkers along the windswept Cumbrian shore are some of the most closely guarded places in the world. Inside the heavy doors, a corridor stretches away for dozens of yards. Sealed trunks are stacked high on each side, as in a bank vault. Each contains a cylindrical canister 18 inches high, and within each canister there are smaller ones, like Russian dolls. At the heart is a white crystalline powder: plutonium oxide.

That is how civil plutonium, produced in the core of the UK's nuclear reactors, is stored at British Nuclear Fuels' Sellafield site. Its £2.8bn Thorp reprocessing plant – given final approval to start operating by the High Court last week – will add 5 tonnes a year to the world's supplies of usable plutonium by separating the material from used reactor fuel.

The military aspect of plutonium can be seen at the US Department of Energy's Pantex nuclear weapons facility in Texas, which holds 6,000 grapefruit-sized spheres of pure shiny plutonium metal removed from redundant hydrogen bombs.

Plutonium is one of the most dangerous substances created by man, taking account of all its political, economic, military, environmental and radiological implications. It did not exist on the earth until the 1940s, when it was created in the laboratories of Los Alamos, deep in the US desert, in the race to build an atomic bomb.

Now the world has about 1,100 tonnes of plutonium – in weapons, separated civil plutonium and unprocessed used fuel rods from nuclear reactors – according to William Walker and Frans Berkhout of the Science Policy Research Unit at the University of Sussex, who compile the most comprehensive world inventory of nuclear materials. They say the global stockpile is increasing by 60 to 70 tonnes every year.

For two decades after it was first created, plutonium was expected to be the wonder fuel of the future. Governments expected it to become the driving force of an expanding nuclear industry, as uranium grew increasingly scarce and costly.

As recently as 1971, Professor Glenn Seaborg, head of the US Atomic Energy Commission, surmised that "plutonium could even replace gold as the international monetary standard – at least it has real intrinsic value".

Yet today plutonium is widely regarded as a menace with a negative value. Japan and France, the two countries whose enthusiasm for the civil use of plutonium lasted longest, are now scaling back their plans for fast-breeder reactors which generate plutonium by burning uranium.

Last month France announced that it was converting its $4bn Superphénix fast breeder, which has been mothballed for the past four years, into a research reactor to look at ways of burning up plutonium – the opposite purpose for which it was designed.

Although the Japanese Monju fast breeder will start up this year, several years behind schedule, its planned successor has been postponed indefinitely. So has Japan's own reprocessing plant, intended to extract plutonium and uranium from spent nuclear fuel like Thorp and the equivalent French plant at Cap de la Hague, Normandy.

French and Japanese enthusiasm has cooled partly because uranium has remained plentiful and cheap (see below). To a considerable extent, uranium and plutonium are interchangeable nuclear fuels – and plutonium is so much more dangerous and more difficult to handle that it will only come into its own if and when uranium becomes scarce.

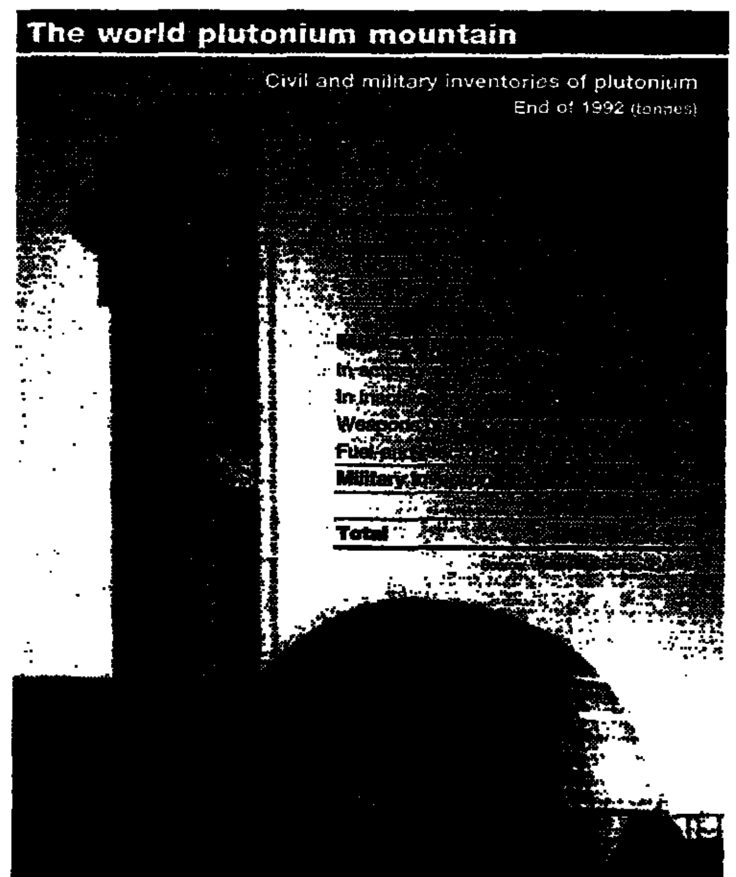
At the same time, large fast breeder reactors have proved technically more difficult and expensive to develop than nuclear engineers had expected.

The plutonium itself has also brought new problems, not anticipated when these projects began. For a start, it is difficult to store, decaying into other radioactive substances which are more difficult to handle safely than pure plutonium. But particular concern now focuses on the threat of weapons proliferation, and on ways of safeguarding and transporting the growing plutonium stockpile.

Most of the world's plutonium is mixed up with uranium and other radioactive waste in used reactor fuel; this cannot easily be made into bombs. The greater problem arises from the 90 tonnes of plutonium that have been separated from civil reactor waste, and from the 50 tonnes of excess military plutonium expected to result from dismantling thousands of Russian and American nuclear warheads.

Critics of the UK's Thorp reprocessing plant say that it will increase these dangers by separating out plutonium that would be less of a proliferation hazard if it remained mixed in with the nuclear waste.

The US National Academy of Sciences reported recently that, contrary to popular assumption, civil plutonium extracted from reactor fuel is adequate for making bombs "of at last 1 or 2 kilotons", equivalent in impact to 1,000-2,000 tonnes of high explosive. The amounts needed are not large – 6 or 7 kilograms, or about a bucketful.



Mr Walter Patterson, an energy analyst at the Royal Institute of International Affairs, points out that plutonium acquired illegally by terrorists would probably have undergone radioactive deterioration and would be unpredictable. "They couldn't make small, elegant bombs to put on warheads, but if they were happy to use a pickup truck as a delivery vehicle, they could still wipe out much of a city," he says.

A study carried out last year by the Rand Corporation, a US consultancy, for the Defence Department, concluded that within a decade the world would have enough surplus plutonium to make 87,000 primitive nuclear weapons.

Faced with continued growth in the plutonium stockpile, governments have been wrestling with the question of how to put it beyond the reach of would-be bomb-makers. A favoured option is to combine plutonium with uranium to burn in existing nuclear power plants as "mixed oxide fuel", or Mox.

British Nuclear Fuels is pinning its hopes on Mox to soak up much of the plutonium coming out of its new Thorp reprocessing plant. Although Mox fuel assemblies have been used on a relatively small scale in pressurised water reactors (PWRs) since 1963, Mr John Guinness, BNF chairman, predicts that the technology is about to take off in a big way.

However, Mr Walker and Mr Berkhout at Sussex University believe that BNF is overestimating the likely popularity of Mox in the next decade, because straightforward uranium fuel is so much easier to handle. They predict the amount of separated plutonium will grow by at least 50 tonnes in that period.

More spectacular suggestions for disposing of surplus plutonium range from exploding it deep underground to launching it into outer space. Although the National Academy of Sciences dismisses these as impractical, it favours two other options: converting plutonium into glass blocks mixed with radioactive wastes, and burying it in bore holes several kilometres deep.

But such measures cannot provide the whole answer. Nuclear security specialists say the international system for monitoring and controlling plutonium also needs urgent improvement. The greatest risk comes not from plutonium separated by reprocessing in France and the UK, but from material extracted from former Soviet warheads or produced in reactors in third-world countries.

North Korea's refusal last year to allow inspections of two sites by the International Atomic Energy Agency, the UN nuclear watchdog, highlighted the weaknesses of international agreements for monitoring plutonium and uranium. It also raises questions about whether the Nuclear Non-Proliferation Treaty, under which signatories must permit these inspections, can survive when it comes up for renegotiation next year.

The IAEA points out that it will need more resources simply to carry out its present task of inspecting the world's radioactive sites, a task which is becoming politically more controversial and technically trickier.

Although the IAEA does not initiate policy, it says its preferred option is to see international sites developed for stocking the world's plutonium – if so, Sellafield would be one obvious location. Mr David Kyd of the IAEA points out that the agency's statutes would allow it to play the role of plutonium caretaker.

But the problem is too complex to admit an easy answer. Quantities of plutonium in the world are increasing, even though development of peaceful uses for the material has been frozen. According to Mr Kyd: "The point we've been keen to drive home to people is that there's a problem out there. In the mid-1990s, as nuclear weapons are dismantled, that problem will get more acute."

Awash with uranium

Kenneth Gooding explains the market's poor prospects

Nobody has been hurt more by the surge in raw materials' exports to the west that followed the break-up of the former Soviet Union than the uranium producers. Some are bracing themselves for perhaps 20 more tough years because military stocks, built up by the superpowers during the cold war, are becoming available for the first time on world markets.

Russia has agreed that the US can convert highly enriched uranium, used in nuclear weapons, to low-enriched uranium. This can be blended with other uranium for use as commercial nuclear fuel. An estimated 500 tonnes of highly enriched Russian uranium are available, equivalent to 150,000 tonnes of commercial fuel – enough to keep the west's nuclear reactors supplied for about three years.

As a result, uranium mines have been closing in Canada, the US and even in some former eastern bloc countries.

The uranium industry has been in the doldrums for a long time. Prices peaked at $45 a pound in 1978, when oil costs were rising sharply and demand for nuclear energy was expected to grow. (The only large-scale application of uranium is as a nuclear fuel.)

Over-optimistic forecasts of demand contributed to the build-up of nearly 80,000 tonnes of surplus uranium in stocks at power companies in the 1980s. The market deteriorated further when brokers and other intermediaries were allowed to sell some of this uranium to new consumers.

More recently, brokers also gained access to uranium stockpiles in the Commonwealth of Independent States, as the new republics became desperate for hard currency earnings.

A great deal of uranium is still sold directly by producers to consumers on long-term contracts, but enough is sold in the free market for the US and Europe to worry about the market's over-dependence on CIS material. Some countries have curbed CIS imports.

Consequently, a two-tier price system has developed. For countries with no import restrictions, the uranium price is about $7 a pound, its lowest ever level in real terms. For those with restrictions on CIS uranium, the price is about $10 a pound.

Even at $10, only the lowest-cost mines (in Australia and Canada) can break even. However, some producers have unbreakable long-term contracts to supply utilities at higher prices, even above $20 a pound. It has sometimes been worthwhile for them to close mines and buy uranium in the free market.

According to the Uranium Institute, an international industrial association, the total supply of freshly produced uranium – from mines and reprocessing of used nuclear fuel – was only 35,000 tonnes in 1992, compared with demand for 53,000 tonnes. The gap was made up from the world's large uranium stockpile.

The institute's present forecasts suggest this imbalance will continue. Even if all uranium mines worked at full capacity, they could supply only 55,000 tonnes in 2000 and 49,000 tonnes by 2010.

But Mr Peter Wade, managing director of North Broken Hill Peko, a group that controls the Ranger uranium mine in Australia, says mines would not come back into production or new ones be developed until prices moved back to between $16 and $18 a pound.

Meanwhile, demand remains sluggish. The institute reckons that it will be 64,000 tonnes in 2000 and no higher in 2010.

The supply deficit cannot continue indefinitely. Eventually the stockpile of available uranium will be exhausted.

Prices, however, are not expected to recover in the medium term. The agreement between the US and Russia for converting highly enriched uranium into power station fuel specifies it should be organised in a way that "will have no adverse impact on US consumers or the mining and processing industries". But some producers fear that the existence of the extra stock will give consumers the feeling the world is still awash with excess uranium, and depress prices for years.

OBSERVER

Red in tooth and Klaus

■ Vaclav Klaus, the irascible Czech prime minister, was in fine fettle at the Adam Smith Institute in London yesterday.

"The Czech republic is no longer a post-communist country in transition . . . Now we're a normal country adjusting to the post-transformation realities," he told his pinstriped audience. "Our inflation is 10.9 per cent – but that's annual, not monthly as elsewhere in the post-communist world – and our unemployment, at 3.8 per cent, is at levels which Mr Major can only dream of." Splendid.

Wait a minute. What about the notion that Czech unemployment is relatively low only because the country has yet really to make a start on painful economic restructuring?

Steam emerged from Klaus' ears. "Nonsense," he barked. High unemployment comes from slow restructuring; low unemployment from rapid restructuring. Ergo, the Czech republic's low unemployment is proof of successful, rapid restructuring.

Breathtaking logic. But Klaus was reminded that restoring government wage controls last year seemed to contradict his famed love of *laisser faire* capitalism. Nonsense again.

"Part of a rational wage policy," came the huffy reply. And keeping wages artificially low is of course a million miles away from maintaining disguised unemployment, that typical feature of socialist full employment.

In a state

■ Michael Cottrell may have been sipping a bit too much of his own product. The chairman of Taunton Cider announced a deal selling his up-market scrumpy into the US market, via Molson USA.

A crowing Cottrell reported that, as Molson had an established network of distributors across all 51 states, the fit was perfect. "As far as I know there are still only 50," said a puzzled US embassy in London.

Secrets Anonymous

■ The new Commons select committee on the intelligence services is proving a useful arena for Douglas Hogg, the Foreign Office minister, to hone his wit on behalf of the Tories.

Yesterday it listened as Labour member Peter Mandelson – cudgel-wielding on behalf of the UK's top civil service union, the First Division Association – asked Hogg what a member of MI6 should do if he or she found a divergence between their own and the government's definition of "the interests of national security". Hogg thought such

'Do you want a smoking flying bishop or a non-smoking flying bishop?'

a possibility "inconceivable".

But what should intelligence officers do if they felt there was a genuine conflict between how they saw the national interest and how government ministers regarded it? "See a counsellor," murmured Hogg.

Crying wolf

■ The idea that Martin Sorrell is about to sell off or float "up to" 50 per cent of the market research entities of his mammoth WPP advertising group needs closer examination. Not to see if it's sensible; with debts of £361m it clearly is. But Sorrell has talked about doing it for the past two years – since March 1992 – and little enough has happened so far. Having worked so hard to build up WPP, Sorrell is not keen to see it fall apart. He hates the thought of selling anything.

Altogether now

■ Far from the European Union resulting in some boringly homogenised bureaucratic idiom, it has actually thrown up some riveting divergences. Thus British proposals about unemployment have been published with translations adapted to local sensibilities. In the English text, Europe is referred to as the (pre-Maastricht) European Community; the French version calls it the (post-Maastricht) European Union. Thus are sensibilities soothed.

Repair job

■ Putting a couple of bankers in charge of the Housing Corporation, the government's biggest quango, is going to ruffle a few feathers. Midland Bank boss Sir Brian Pearse, the new chairman, is not a housing man and Peter Cooke, his deputy, made his name as the Bank of England's first proper bank regulator. What do they know about housing poorer people?

True, Cooke has been on the Housing Corporation board since 1988 and Pearse knows a bit about the business since he's been lending money to house-builders for a very long time. Pearse, a Liverpudlian whose face never fitted in the patrician corridors of Barclays, has more of a social conscience than some big banking types.

Even so, the arrival of Pearse and Cooke suggests that the government may be more interested in pandering to the City than to the social housing lobby. With government housing handouts set to fall, the City is being required to fill the increasing shortfall.

Meanwhile, having an ex-bank regulator as a deputy chairman may help calm fears that the Housing Association movement may be becoming a hotbed of financial hanky-panky with unpaid volunteers handling vast sums of money.

Car ping

■ Clearly the people at Ford who invent brand names have run out of steam. At the Geneva motor show Ford has displayed its latest offering, called Ka; really inventive, boys.

Still, what can we expect from the company which in the past has given us the Tudor (two-door) and its sister Fordor, and colours such as Hulla Blue, Thanks Vermilion and Freudian gilt. Next year? The Heep, the Dogg, the Skrapp?

FINANCIAL TIMES
Wednesday March 9 1994

US urges compromise on labour reform with Europe to create jobs

By David Goodhart and Robert Taylor in London and George Graham in Washington

Washington is calling for a US-European compromise on labour market reform to create jobs, with the US investing more in education and training and European countries reforming inflexible labour policies and wage-setting restrictions.

This is the central argument of a paper, mainly written by Mr Robert Reich, the US labour secretary, circulated to Group of Seven governments before next week's jobs summit in Detroit.

Although the UK government claimed yesterday its deregulatory approach should be a model for other countries, the US paper says "no country has yet found the right approach to adjusting and succeeding in the new world economy".

It also emphasises that labour market reform is not a substitute for creating economic demand. "Countries that pursue structural improvements without taking steps to increase aggregate demand will see little or no return for their efforts," the paper says.

This reflects continuing US irritation with the refusal of other G7 countries to adopt more expansionary policies. The paper says a typical developed country with annual productivity growth of 1.5 per cent and labour force expansion of 0.5 per cent must grow at a real rate of more than 2 per cent a year just to hold unemployment constant.

It says that over the past two decades Europe has experienced substantial real wage growth but stagnant employment. In contrast America has experienced buoyant private sector employment but with growing wage differentials and declining real pay for less-educated workers.

It adds that the main labour market problem in G7 countries is a shift in demand from less-educated workers towards workers with problem-solving skills. But compared with changes in technology, it argues that expanding trade with lower cost countries has had only a modest role in this shift.

"Increased globalisation and technological change have raised the knowledge content of goods in which G7 nations have a comparative advantage. If properly managed this shift in demand can lead to rapidly growing economies that produce high-wage, high-skill jobs."

The paper concludes: "All G7 countries need to think about improvements in policies to facilitate transitions from school to work, work to work, and unemployment to work. All G7 countries need to maintain a commitment to an open world trading system, but competition should be based on investments in quality and innovation with workers viewed as assets to be invested in and not just costs to be minimised".

While some in the US have argued that their country has little to learn about employment policy from Europe, with its much higher unemployment rates, the Clinton administration believes that it can benefit from European lessons.

Republicans demand hearings into allegations of attempts to obstruct probe

Clinton names Carter official as counsel

By Jurek Martin in Washington

President Bill Clinton yesterday reached into the upper echelons of the Washington establishment for assistance over the Whitewater affair by appointing Mr Lloyd Cutler as his new White House legal counsel.

Mr Cutler, 76, who served in the same capacity in the troubled last year of the Carter administration, said before the official announcement: "I've done it before, as you know. You don't look forward to it, but you do it. You're asked to do it and you have to do it."

The White House has said for several days that it was looking for "a Lloyd Cutler-type figure" of unquestioned stature to replace Mr Bernard Nussbaum, whose resignation was announced last weekend. Mr Cutler is believed to have insisted that he be regarded as counsel to the office of the president, rather than as Mr Clinton's personal attorney.

News of the appointment did not deter Republicans from insisting that congressional hearings be held into allegations that the White House has sought to obstruct investigations into Whitewater. The affair involves Mr and Mrs Clinton's land and financial dealings in Arkansas in the 1980s.

Congressman Newt Gingrich of Georgia said yesterday the legislature had "an independent obligation to investigate and to inform both itself and the country". Republicans have already threatened to hold up the nomination of Ms Ricki Tigert to run the Federal Deposit Insurance Corporation if the Democratic leadership refuses to agree to hearings.

Mr Gingrich also dismissed objections from Mr Robert Fiske, the independent counsel investigating Whitewater, who wrote to congressional leaders on Monday that hearings on Capitol Hill "would pose a severe risk" to the integrity of his inquiries.

Mr Fiske is aware of the Iran-Contra precedent, where grants of immunity from prosecution given by Congress as a precondition for testimony ultimately resulted in the conviction on criminal charges of Lt Col Oliver North being overturned on appeal.

But Mr Jim Leach from Iowa, senior Republican on the House banking committee, said there was no reason why anybody called to testify over Whitewater should be granted immunity. His committee already has plans to question Treasury officials later this month.

The Democratic leadership in Congress, according to Mr Leach, is now on the horns of a dilemma, not wanting to appear to obstruct the investigation but also not wanting to embarrass the president, thus jeopardising his legislative programme.

Mr Tom Foley, Speaker of the House, has warned against the legal complications that might follow hearings, but has not come out flatly against them.

Mr Clinton himself opened up a possible new avenue of inquiry on Monday when he said he had been told sometime last October that federal regulators wanted a criminal investigation of Madison Guaranty, the Arkansas savings and loan institution at the heart of the Whitewater affair.

He insisted that this information had been routinely passed on to him and was the limit of his knowledge of contacts between the White House and other departments.

Democrat troubleshooter, Page 5

Abu Dhabi expected to raise contribution and cut claims on failed bank

BCCI liquidators approve revised deal

By Andrew Jack in London

The liquidators to the collapsed Bank of Credit and Commerce International yesterday provisionally approved a revised deal with the government of Abu Dhabi which should pave the way for an increased payment to creditors.

Under the terms of the settlement Abu Dhabi, the majority shareholder in the bank, is expected to increase its direct cash contribution to about $1.8bn. It had previously agreed a payment of at least $1.2bn.

The money available for distribution to the bank's hundreds of thousands of creditors around the world will be increased further as a result of the settlement because Abu Dhabi has agreed to restructure and reduce a number of its claims against BCCI.

It is expected to drop its potential claim for $2.2bn of assets it alleges was stolen by the bank, and in exchange may receive protection from future litigation which could be brought by the liquidators against it.

Efforts to reach a new deal have been under way since last October, when the Luxembourg appeal court rejected on a number of technical grounds a previous settlement reached between the liquidators and Abu Dhabi.

The new agreement has been modified to address these problems and has been considerably simplified in an effort to achieve an easier and speedier settlement for creditors.

It requires the ratification of the BCCI creditors' committee and will still need to be approved by the English, Cayman Islands and Luxembourg courts, which may delay a first payment for several months. The liquidators have never revised their original estimated total payments of 30 to 40 cents on the dollar.

Liquidators from Touche Ross, the accountancy firm, were expected to unveil details of the settlement yesterday afternoon but cancelled a briefing after promising "an important announcement about compensation for creditors" by Mr Brian Smouha, one of the liquidators.

It is believed that the announcement was delayed because a meeting of the creditors' committee was still in session at the time the briefing was due to take place.

The settlement was concluded after final negotiations took place between the liquidators and Abu Dhabi in Zurich last week.

The government of Abu Dhabi indicated last month that it was keen to see creditors receive increased compensation for their losses. It stressed that diplomacy was an important factor in the negotiations because it was a country and not simply a corporation.

Other money available to creditors will come from liquidation of BCCI's assets, up to $150m paid by Abu Dhabi to the US authorities as settlement of legal actions and from any proceeds of litigation against the bank's auditors, the Bank of England and *National Commercial Bank* of Saudi Arabia.

If an agreement had not been reached, the liquidators would have had to consider suing Abu Dhabi, which risked jeopardising any payouts for many years.

THE LEX COLUMN

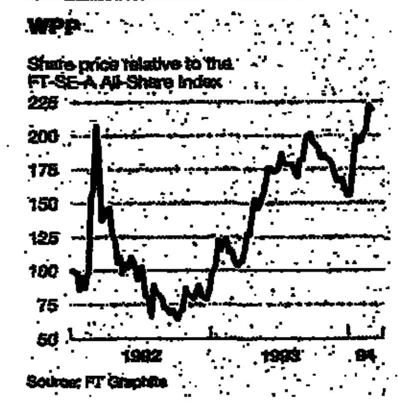
Manufactured excuses

Two worries hit UK equities yesterday. One was the possibility that January's strong industrial production figures might deter the authorities from cutting interest rates again; the other was that some large rights issues were in prospect. If true, the latter would indeed be cause for concern. There is limited new cash going into the market at present. Any that is steered towards equities is meeting a plentiful supply of new issues. Yesterday's 41-point fall is thus partly a measure of how the equity market, like gilts, has become prey to fears of oversupply.

By contrast interest rate worries look overdone, at least on the basis of the output figures. These showed output of investment goods rose nearly 4 per cent in January while that of consumer goods fell slightly. That hardly represents a trend, and investment goods output may simply have been snapping back after two weak months in November and December. But at least the picture is consistent with a shift towards investment-led growth that is needed to make the recovery sustainable.

That should not stand in the way of interest rate cuts. Political pressures for lower rates are likely to intensify as next month's tax increases bite. Paradoxically, stronger output figures might even help by signalling rising productivity. The UK's actual inflation performance is what really counts for interest rates. The chancellor's life will be harder, though, if gilts and sterling weaken further because of Germany's reluctance to accelerate its own rate cuts.

FT-SE Index: 3264.4 (-41.5)



Source: FT Graphite

Fisons

It was something of an achievement for Fisons to deliver yesterday's full-year results without any more nasty surprises. Pharmaceuticals sales growth of 7 per cent is respectable enough, while the condition of the scientific instruments division – the cause of December's profits warning – is not deteriorating. If that record can be maintained, Fisons may finally deserve to be judged squarely on its recovery prospects. A combination of modest sales growth, cost savings and loss elimination could, after all, deliver decent earnings growth.

There are still risks. Drug sales rest *on two asthma treatments – Intal and* Tilade – for which the outlook is difficult to judge. Intal faces competition from cheap generic alternatives. Tilade's US launch seems to be going well enough, but it is too early to draw firm conclusions. Disappointment from either drug would undermine any profits recovery. Even assuming both products perform admirably, Fisons' research pipeline remains worryingly empty. Licensing potential products from outside companies could help solve that problem. Since Fisons has a mixed record in development and lacks a chief executive, though, the omens for such deal-making are not auspicious. Failure to secure a full raft of promising development projects would make the marriage of cash-generative laboratory supplies, instruments and pharmaceuticals difficult to justify. Unless the pipeline can be filled in short order, breaking Fisons up and finding a partner in pharmaceuticals may still be the best way of unlocking value.

Mobile phones

Wolff Olins, the identity consultants, have expensively concluded that orange is distinctive, dynamic, open and positive. It is also, apparently, simple, friendly and approachable. Most people, however, still think of it as fruit. Hutchison Telecom's new mobile phone system, Orange, is thus open to the crack that it is a lemon – particularly since Orange comes from the company which produced the dead Rabbit network.

The name is doubly unfortunate because the Orange network looks attractive. Since it will cover the main UK *metropolitan areas and the connecting* motorways at launch, it has a significant advantage over its rival, Mercury One-2-One. Its expansion will also be more rapid. Orange will cover 70 per cent of the population by the end of the year and 90 per cent by mid-1995. One-2-One will cover only around 30 per cent of the population by the year-end.

The pricing of calls and handsets, yet to be announced, will put pressure on margins in the rest of the mobile phone industry. Coverage is wide enough to make Orange a realistic alternative to Vodafone and Cellnet. They have been picking up low-use domestic customers, but the old networks' profitability is critically dependent on their business tariffs. Those fat margins could be undermined if business users drift to Orange in significant numbers. Wide coverage and lower handset prices are also a threat to One-2-One. It may suffer for its decision to constrain capital spending and roll its network out slowly.

WPP

WPP may have lost ordinary shareholders a bundle of money by paying too much for advertising businesses at the wrong time in the cycle. WPP's bankers, though, are likely to be a cheerier bunch after cashing in their convertible shares this year. The bounce in WPP's shares since its refinancing should enable them to make a tidy turn on the shareholding acquired at the time of the debt-for-equity swap. Martin Sorrell may join Rupert Murdoch as a bankers' pin-up boy.

J Walter Thompson and Ogilvy & Mather are performing soundly. Revenue growth of 4 per cent in constant currency terms stacks up well against comparable agencies. Group operating margins have also improved from 6.9 per cent to 7.6 per cent before severance payments, yet staff costs remain high in comparison with those of rivals such as Omnicom. That suggests WPP could well attain its 10 per cent margin target even though the going gets tougher from here. WPP's bizarre balance sheet should also regain greater normality if the company succeeds in floating its market research business. Likely proceeds of $200m would certainly make a useful dent in average debt of £339m.

The market seems to have forgiven all WPP's past sins and is discounting much of its future promise, too. WPP's shares again stand on a fancy premium, which may be fair given its *margin recovery and prospects for* advertising growth. Still, WPP's caution about the strength of recovery and the forthcoming share conversion may dull the immediate shine.

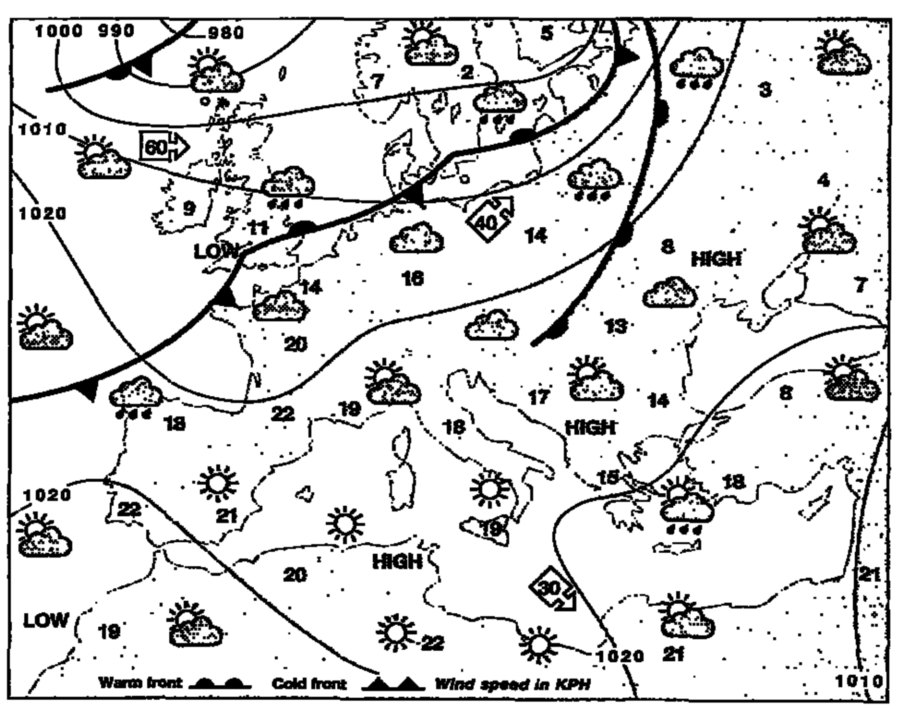
FT WEATHER GUIDE

Europe today

A cold front associated with low pressure over Finland will move across southern England, Denmark and southern Sweden resulting in overcast skies and rain. South of the front, south-westerly winds will draw mild and moist air over the Benelux, Germany and Poland with mainly cloudy skies and drizzle. North of the front, cool and unstable air will spread over the Britain, Norway and Sweden. Clouds will break, however, and frequent showers are expected in northern Europe. High pressure will keep central and southern Europe dry, except for Greece, Turkey and Cyprus where low pressure will produce showers. Spain, Portugal, most of France, the Alps, and Italy will be sunny with comfortable temperatures.

Five-day forecast

A meandering westerly flow will move ocean disturbances into northern Britain and Scandinavia resulting in changeable conditions. High pressure over the Atlantic will merge with high pressure over central Europe to keep most of the continent dry. The western Mediterranean will be mainly sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	30
Accra	fair	33
Algiers	sun	21
Amsterdam	drzzl	14
Athens	fair	13
B. Aires	sun	30
B.ham	shower	11
Bangkok	fair	34
Barcelona	sun	18
Beijing	sun	8
Belfast	shower	8
Belgrade	fair	17
Berlin	cloudy	16
Bermuda	cloudy	22
Bogota	shower	20
Bombay	sun	34
Brussels	cloudy	16
Budapest	cloudy	15
C'hagen	rain	10
Cairo	fair	21
Cape Town	fair	24
Caracas	fair	24
Cardiff	shower	10
Chicago	fair	0
Cologne	cloudy	17
D' Salaam	sun	32
Dakar	fair	23
Dallas	cloudy	8
Delhi	hazy	30
Dubai	sun	29
Dublin	shower	9
Dubrovnik	fair	17
Edinburgh	shower	9
Faro	sun	20
Frankfurt	cloudy	15
Geneva	fair	16
Gibraltar	sun	17
Glasgow	shower	8
Hamburg	rain	13
Helsinki	shower	5
Hong Kong	cloudy	20
Honolulu	fair	28
Istanbul	shower	9
Jersey	drzzl	14
Karachi	sun	34
Kuwait	sun	29
L. Angeles	fair	20
Las Palmas	sun	21
Lima	sun	27
Lisbon	sun	20
London	rain	13
Lux.bourg	fair	15
Lyon	fair	15
Madeira	sun	18
Madrid	sun	20
Majorca	sun	20
Malta	sun	16
Manchester	shower	10
Manila	fair	32
Melbourne	fair	20
Mexico City	sun	23
Miami	fair	27
Milan	hazy	18
Montreal	rain	-2
Moscow	rain	8
Munich	fair	18
Nairobi	sun	28
Naples	sun	19
Nassau	fair	27
New York	cloudy	4
Nice	sun	15
Nicosia	shower	16
Oslo	fair	8
Paris	sun	18
Perth	sun	30
Prague	cloudy	17
Rangoon	sun	35
Reykjavik	cloudy	-2
Rio	shower	28
Riyadh	sun	29
Rome	sun	16
S. Frsco	cloudy	18
Seoul	fair	2
Singapore	rain	30
Stockholm	fair	7
Strasbourg	fair	19
Sydney	shower	24
Tangier	fair	19
Tel Aviv	fair	18
Tokyo	rain	11
Toronto	fair	0
Tunis	sun	21
Vancouver	shower	10
Venice	fair	17
Vienna	fair	16
Warsaw	drzzl	13
Washington	rain	6
Wellington	sun	19
Winnipeg	sun	-4
Zurich	sun	18

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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

CS Holding jumps 69% ahead

CS Holding, the financial services and industrial group, has reported a 69 per cent jump in net profit to SFr1.99bn ($1.4m) for 1993, mainly because of outstanding earnings generated by commission and trading business. Page 16

Aztec falls to PosGold

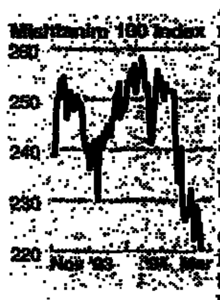
The A$287m (US$206m) battle for Sydney-based Aztec Mining, the metals group, came to an abrupt end yesterday when PosGold Investments snapped up more than three-quarters of its target's shares in a stock market raid. Page 19

Record sales for De Beers
De Beers, the South African company which dominates the world diamond trade, is lifting its 1993 dividend 7 per cent after a turnround in the diamond business. The group's Central Selling Organisation sold a record $4.37bn in rough diamonds. Page 19

Gartmore beats its forecast
Pre-tax profits at Gartmore, the UK-based fund management company, were £24.6m ($36m), nearly £2m higher than it forecast when its shares were offered to the public in November. Page 21

Laporte helped by Evode acquisition
Laporte, the UK speciality chemicals group, ended a three-year decline in earnings per share in 1993 helped by last February's acquisition of adhesives and plastics manufacturer Evode. Page 22

Pessimism in Tel Aviv



After a bullish run of several months the Tel Aviv Stock Exchange has entered a period of pessimism and caution because of political and economic uncertainty. Since the boom of early January the TASE has been through a mini-crash with a 12.5 per cent decline on the Mishtanim two-sided index of the 100 most actively traded blue-chip companies. Back Page

Claremont takes over Magellan
Claremont Garments, the UK clothing maker, announced a takeover of Magellan Industries, the lingerie and swimwear company. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Air Liquide	847	-	13
AB Ind & Verk	590	+	17	BSN	907	-	14
Continental AG	285.5	+	8.5	Moulinex	147.3	-	4.7
[illegible]	353.5	+	12	Taittinger	2501	-	149
Hoechst	315.5	+	6.9	Union Immob	590	-	8
[illegible]	388	+	10	**TOKYO (Yen)**			
Porsche	671	+	23	**Rises**			
NEW YORK ($)				Daishowa Paper	1280	+	110
Rises				Fuji Fire	890	+	24
Compaq Comp	100⅝	+	2⅝	[illegible]	867	+	32
Nat Data Corp	21⅞	+	2	Nippon Flour	599	+	40
[illegible]	37⅛	+	2	Toshoku	800	+	40
Falls				**Falls**			
Duncan Hill	31⅛	-	2⅛	UBE Inds	357	-	13
McArthur Glen	24⅞	-	1⅝				
[illegible]	10⅝	-	3				
PARIS (FFr)							
Rises							
Usinor	815	+	15				
New York prices at 12.30pm.							
LONDON (Pence)				Sumit	166	+	11
Rises				Telepac	275	+	15
[illegible]	84	+	5	Thorntons	196	+	8
Benford	77	+	5	**Falls**			
Close Bros	368	+	40	BAT Inds	470	-	25
Daniels (S)	84	+	7	Brent Intl	155	-	15½
Expamet	77	+	8	Brit Airways	418	-	11
Gibbs & Dandy A	93	+	5	Laporte	784	-	20
Gibbs Mew	405	+	18	Polypipe	256	-	15
Instem	171	+	23	Reuters	2103	-	56
[illegible]	122	+	8	United Biscuits	338½	-	11½
Linread	134	+	10	Wates City Lon	87½	-	8½
MAI	283	+	10				
Radland Metal	100	+	5				
Regal Corp	27	+	3½				

Earnings figures from German chemical groups' suggest slower rate of decline

Hoechst and BASF cut payouts

By Christopher Parkes in Frankfurt

Hoechst and BASF, two of Europe's biggest chemicals concerns, yesterday announced reduced dividends and earnings for 1993. BASF cut its payout from DM10 to DM8, while Hoechst's was cut from DM9 to DM7.

Although the German-based groups provided little more than basic 1993 data yesterday, the results further encouraged share-traders who have recently shown increasing interest in the recovery value of cyclical stocks, notably chemicals makers.

Sales and earnings figures from both groups suggested that the rate of decline had slowed during the past year, while national economic growth figures, also released yesterday, helped reassure markets that the worst of the domestic recession was past.

Hoechst shares, up DM6.90 to DM315.50 at the end of official trading continued rising after hours, while BASF rose DM5.70 to DM311 by the close.

Group pre-tax profits at Hoechst fell 42 per cent to DM1.23bn, after being 50 per cent down after six months. Turnover, which was 2.4 per cent lower at the halfway mark, rose 0.4 per cent to DM46bn. The company complained of price pressure and "very low" European demand, which was evened out by improved overseas business. Net group earnings were 36 per cent lower at DM756m.

The weakness of domestic markets was highlighted by a 58 per cent slump in pre-tax earnings and a 7.6 per cent fall in sales at the German parent, Hoechst AG.

A similar pattern emerged at BASF's parent, where German turnover fell 9.6 per cent, and pre-tax earnings were 16 per cent lower. Group sales, meanwhile, were down 3.3 per cent at DM40.57bn, after being 7 per cent lower after six months. Pre-tax profits, 50 per cent lower in the first half of the year, were down 15 per cent at DM1bn.

Both groups pressed ahead with extensive savings programmes last year, shedding 10,000 employees between them. Further job losses are expected this year. Analysts expect more joint ventures, disposals of non-core, unprofitable businesses, and a continued search for profitable new ventures.

Important deals last year included Hoechst's effective takeover of Schering's agrochemicals business, and its move into the generic drugs market through its purchase of a 51 per cent stake in Copley, a US manufacturer.

BASF, which recently completed the purchase of ICI's polypropylene business, last year agreed to merge its nylon carpet fibre and nylon textiles businesses with those of AlliedSignal of the US.

Colony's corporate watchdog will not approve group's proposals to supersede takeover laws

Jardine companies may delist from Hong Kong

By Simon Holberton and Louise Lucas in Hong Kong

The attempt by the Jardine group of companies to bypass Hong Kong's takeover laws and remain listed on the colony's stock exchange appeared untenable yesterday, with regulators apparently unprepared to revoke their opposition to the company's plans.

It is understood that the Securities and Futures Commission (SFC), the colony's corporate watchdog, will not approve the company's proposed scheme whereby Bermudan takeover law especially enacted for Jardine supersedes Hong Kong rules.

This scheme has been the subject of negotiation between Jardine and the SFC since the beginning of this year. A failure of the two to agree raises the possibility that the Jardine group might delist its shares in Hong Kong.

Jardine precipitated a flight of capital from Hong Kong in 1984 when it announced it would move its company registration to Bermuda. The company does not believe that Hong Kong's legal framework will provide sufficient protection after China resumes sovereignty over Hong Kong in 1997.

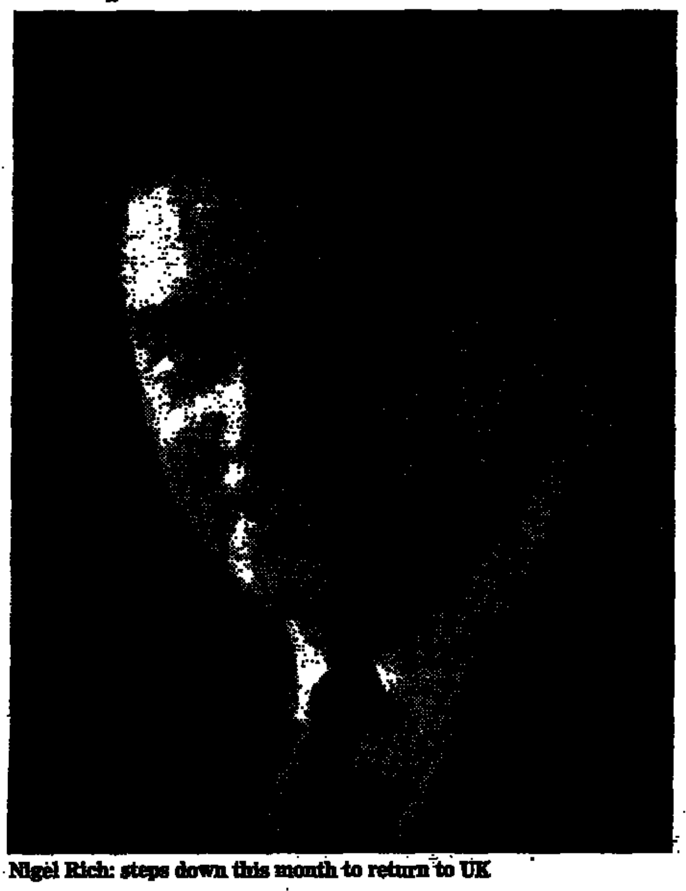
The Chinese government has frequently attacked Jardine because of its stated support for Governor Chris Patten's democracy plans, and its alleged involvement in the removal of Mr Patten's predecessor.

Last May, Jardine said Bermuda had agreed to enact laws to bring the Jardine group under a statutory version of London's Takeover Code. The code will be administered by Bermuda's Monetary Authority.

However the SFC is concerned about the credibility of such legislation, created at the behest of one company. It claims the takeover code in Bermuda applies to one company in Bermuda – Jardine – and it believes that companies operating in Hong Kong should abide by Hong Kong rules.

The Jardine group comprises Jardine Matheson, Jardine Strategic, Mandarin Oriental, Hongkong Land, and Dairy Farm. Their combined market capitalisation accounts for about 9.7 per cent of the Hong Kong stock market.

Mr Nigel Rich, the company's managing director, steps down this month to return to the UK. His place will be taken by Mr Alasdair Morrison, the 45-year-old boss of a Jardine associate.



Nigel Rich: steps down this month to return to UK

GM's car profits in Europe fall 56% to $600m

By Kevin Done, Motor Industry Correspondent in Geneva

General Motors' Opel/Vauxhall car and light commercial vehicle operations in Europe suffered a 56 per cent fall in net profits to $600m in 1993.

Mr Louis Hughes, GM Europe president, said that despite the sharp decline the Opel/Vauxhall operations had remained the most profitable volume car business in Europe for the fourth year in succession.

Several of GM's closest rivals in Europe suffered big losses last year, including the Volkswagen group, Fiat, PSA Peugeot Citroën and Ford of Europe.

Mr Hughes said that the Opel/Vauxhall financial performance had been depressed by one-off charges totalling around $800m arising from restructuring measures and exchange rate losses.

The Opel/Vauxhall workforce was cut by around 7 per cent to 84,900 at the end of 1993 from 91,500 at the end of 1992 and there was widespread short-time working at several GM Europe plants.

Mr Hughes warned that little growth was expected in the west European car market this year, although a stronger recovery could begin in 1995 with sales forecast to exceed 12m next year. According to industry estimates new car sales in west Europe fell by 15 per cent last year to 11.45m.

This year "too many key economies remain weak, unemployment is too high, and there is too much uncertainty among consumers concerning major purchases such as automobiles".

Mr Hughes said that GM was planning to further internationalise its operations using the Opel car operations as the spearhead.

The Opel technical development centre in Germany was the group's lead design and engineering organisation outside North America.

Opel designed products are already being built in eastern Europe, the Middle East, Asia, Africa, South America and Australia.

Mr Hughes said that GM Europe was currently planning additional small volume assembly projects in India, Indonesia and Thailand and eventually in Malaysia. In the long-term, studies are also being conducted that could lead to Opel car assembly in China, Russia, Zimbabwe and the Philippines.

The Opel/Vauxhall Corsa small car, which is currently built in Spain and in Germany will start production soon in Brazil and Mexico and is under study for eventual assembly in Russia.

A version of the new Opel Omega executive car, launched yesterday, will also be sold as a Cadillac in the US, and the Omega chassis platform will be used too in Australia.

> 'Key economies remain weak and there is uncertainty among consumers'
> *Louis Hughes, GM Europe president*

Partial float will reduce WPP debt

By Diane Summers, Marketing Correspondent

WPP, the marketing services group, yesterday announced it is likely to float part of its market research businesses this year, yielding up to $200m, as part of its efforts to cut debt.

The announcement came as the group reported pre-tax profits of £54.4m ($79.42m) for the year ended December 31, 1993, up sharply from £7.8m in 1992. The latest pre-tax profit figure is after charging a loss of £10.9m on the sale of companies.

A final dividend of 0.65p will make a total payout of 1p per share for 1993 – the first year a dividend will have been paid since 1990. Fully diluted earnings per share were 3.4p. The shares rose 2p to close at 125p.

Operating profit for the group – which includes advertising agencies J Walter Thompson, and Ogilvy and Mather – was up 34 per cent to £95m, while operating margins increased from 5.6 per cent to 6.7 per cent. Turnover was up 12 per cent to £6bn and revenues increased 12 per cent to £1.4bn.

Forecasts from the group were cautious yesterday. It announced that 1994 budgets were based on a 1.5 per cent improvement in revenues and, although there had been an improvement in confidence in North America and Europe, any recovery was "still unstable and uncertain". Tough controls would continue to ensure "that the group is well placed when real (as opposed to that in the financial markets) recovery comes". Analysts' forecasts for 1994 pre-tax profits are now about £85m-£90m.

The flotation of up to 50 per cent of the market research businesses on either the US or UK stock markets could yield up to $200m, said the group. Market research revenues in 1993 were $320m and operating profits were $29m. The companies are based in the US, UK, Australia and Japan.

If the minority stake were sold for the expected sum, average net indebtedness could be reduced to £200m from the 1993 figure of £338m, said WPP. At the year end, net debt totalled £84m, down from £240m – a sharper reduction than some had expected. The board said it continued "to explore possible asset disposals and other opportunities to improve the group's capital structure, although on a less pressurised basis".

Lex, Page 14

Barry Riley

The hazards of bringing home the harvest

Distance lends enchantment to the view – at least, it does when there is a bull market and the money is flowing freely. Last year the further-flung securities markets tended to outperform handsomely. In 1994 so far, however, it has paid to stay closer to home.

That is the viewpoint of the US investor, anyway. Supposedly the recent shakeout in the global securities markets has been all about a quarter-point rise in short-term US interest rates signalled on February 4 (admittedly with the hint that there is a good deal more tightening to come). The paradox is that although short-term rates have risen nowhere else (and have fallen in several European countries), the damage to the markets has generally been worse outside the US.

While the US equity market has only retreated about 3 per cent – as measured by the FT-Actuaries World Index series – the UK index has fallen by twice as much, while Mexico is off 11 per cent and Hong Kong by 15 per cent. Only Tokyo has managed to show some slight appreciation.

As for bond markets, the ten-year US Treasury bond yield may have shown a sharp upward move of some 56 basis points, but once again things have proved to be tougher elsewhere, with sentiment in Europe taking another turn for the worse late yesterday. Returns in the UK have risen by more like 60 basis points, and the yield on Spanish ten-year government bonds is up by a full percentage point. Interestingly, Japan has fallen in line as far as bonds are concerned, with a sharp back-up in yields (the ten-year yield is up more than 100 basis points since early January).

The Latin American debt markets, so fashionable and lucrative last year, when the Brady Bond index was up 44 per cent, have taken a tumble. There are rumblings of further trouble connected with Banco Latino, the failed Venezuelan bank.

All this presumably says something about the speculative positions that were built up during the 1993 bull market, as well as the relatively poor liquidity of some of the smaller national securities markets. The stop loss selling of hedge funds and investment banks has created more damage in the minor markets.

Volatility is being exported from the US to other markets

The central banks this week decided that the hedge funds were not big enough to pose any systemic risks. Nevertheless, the changing global patterns should be watched closely. Volatility is clearly being exported from the US through cross-border investment. Last year the US equity market varied by less than 5 per cent either side of the mid-point, much the same pattern as in 1992. The action shifted with a vengeance to more exotic locations.

When big money is moving in, the risks of investment are clearly seen to be less, and the riskiest markets show the highest returns through a process of progression towards the mean. It becomes attractive to chase the highest-yielding paper and there is a convergence of returns: curiously, the government paper of European Union member states showed narrower yield differentials *after* the effective collapse of the exchange rate mechanism than before.

When the money moves out, however, the marginal markets tend to be sold first, as the pricing of perceived risk tends to rise – so that Spanish bonds, for instance, are hit harder. Or, you could say, the fattest profits are likely to be cashed in first.

The global investment themes have not been terminated, however, but are more subdued. We have seen the exit of the hedge funds, which were front running the pension funds and mutual funds. The US pension funds will probably act as a stabilising force, seeing higher income returns as attractive.

But the third big group of players, the US mutual funds, may be another matter. The boom in net receipts continued through to January, at about $30bn for bond and equity funds combined, but the February intake may have been more problematical. The danger arises from the way that mutual fund investors have been chasing short-term gains, almost as eagerly as the hedge fund managers. Already the sharp sell-off in Hong Kong and elsewhere in south east Asia will have inflicted damage and prompted profit-taking.

Global investment can be exciting, but home is where the heart is.

Earnings at CS Holding leap 69% to SFr1.99bn

By Ian Rodger in Zurich

CS Holding, the financial services and industrial group built around the Credit Suisse bank, has reported a 69 per cent jump in net profit to SFr1.99bn ($1.4m) for 1993, due mainly to outstanding earnings generated by commission and trading business.

The group's preliminary statement revealed assets 39 per cent higher at SFr346.5bn during 1993, largely because of the acquisition a year ago of Swiss Volksbank, Switzerland's fourth largest bank. Group equity jumped 47 per cent to SFr15.8bn at the year end.

The figures confirm CS as the largest Swiss financial group, surpassing Union Bank of Switzerland with assets of SFr311.3bn at the year end. Swiss Bank Corporation, the third largest, had assets of SFr207bn. UBS remains the most profitable of the three, with net income last year of SFr2.27bn, and is the group with the largest equity base, SFr21.7bn.

Volksbank, which was on the verge of collapse before being taken over, did not contribute to CS group profits last year.

CS said its operating profit from trading in foreign exchange, precious metals and securities more than doubled *to SFr5.2bn from SFr2.3bn* while net commission income advanced 40 per cent to SFr4.5bn.

Net interest income grew 19 per cent to SFr3.2bn because of the inclusion of Volksbank activities.

Group cash flow expanded 78 per cent to SFr5.26bn, but provisions for bad loans and depreciation soared 84 per cent to SFr3.26bn. Return on equity was 14.3 per cent or 13.2 per cent after deduction of minority interests.

The directors will make a dividend recommendation following the closing of the CS financial year at the end of March.

Fisons suffers setback to £37.4m

By David Wighton in London

Fisons, the UK pharmaceuticals group which dismissed its *chief executive* in December, yesterday said it had identified further scope for cost cutting as it unveiled a slump in trading profit to £37.4m ($56.2m) from £117m.

Mr Patrick Egan, chairman, said its cost reduction programme would cut overheads by an annualised £38m over two years, compared with the latest forecast of £35m.

The programme, which will involve the loss of 1,000 jobs in the pharmaceuticals division, follows a review by accountants Coopers & Lybrand which cost £4m.

Mr Egan revealed that the group planned to sell about 30 per cent of its scientific instruments division which incurred losses of £39.6m, including a restructuring charge of £20.7m.

In December, Fisons sacked Mr Cedric Scroggs, chief executive, who had been directly responsible for the scientific instruments division, and warned it would only break even for 1993. The City had expected profits of £100m.

The figures were hit by the decision to end the practice of lifting pharmaceutical sales just before the year-end by offering customers discounts. This reduced profits in 1993 by about £32m. Mr Mike Redmond, pharmaceuticals managing director, stressed: "We will be selling in January and February what we would have sold in December." He added that only by ending the disruption caused by the practice could some of the planned savings in the pharmaceuticals division *be achieved.*

Trading profit from pharmaceuticals fell £29.2m to £42.2m, after £40m of exceptional items, with sales from continuing business up by 7 per cent to £446m. Profits from laboratory supplies rose to £27.6m from £25.9m.

Pre-tax profits fell to £1m from £124m after losses on business to be discontinued of £32.9m.

Thanks to disposals, an operating cash outflow of £69m after tax and dividends became a cash inflow of £152m. Gearing fell to 40 per cent from 67 per cent.

Lex, Page 14

Continental declines to DM74m

By Christopher Parkes

Pre-tax earnings at Continental, the German tyre maker, fell more than half to DM74m ($43.5m) last year, according to Mr Hubertus von Grünberg, group chairman.

He blamed the decline in the automotive industry. He said *the company increased volume* deliveries, but prices had been depressed by over-capacity in the tyre industry.

The results had once again been burdened by losses at General Tire, the US subsidiary, which had not fulfilled its promises to return a break-even result, he said.

Unit sales of car and commercial vehicle tyres increased 2 per cent and 3 per cent respectively, while group turnover fell 3.3 per cent to *DM9.4bn.*

Last year's profits fall was less dramatic than expected, while sales and earnings had increased in the first two months of the current year, he said.

Continental would respond to the continuing downward pressure on prices by improving quality and reducing fixed costs rather than cutting output. A further 2,000 jobs would be cut this year, following a reduction of 4,900 in 1993.

Mr von Grünberg forecast a positive result this year but refused to comment on dividend prospects. Continental last paid a dividend in 1990.

Turnround at Esselte despite weak markets

By Christopher Brown-Humes in Stockholm

Esselte, the Swedish office products group, swung to a SKr301m ($38.1m) pre-tax profit in 1993 from a SKr11m loss a year earlier, in spite of weak conditions in many important markets. The dividend is SKr2.75 per share, up from SKr2.50.

The turnround was flattered by the exclusion of SKr270m in one-off costs which hit the final quarter of 1992. But improved market conditions in the final quarter of 1993, particularly in the Nordic countries and the UK, also helped. The company expects a further improvement this year.

The weaker krona was positive for the company, helping to lift sales to SKr11.8bn from SKr9.9bn. However, the impact was mitigated by sizeable production operations in *hard currency countries such* as Denmark, France, Belgium and Germany.

Based on comparable exchange rates and units, sales were 3 per cent lower last year, reflecting weak markets in southern and western Europe and Japan.

Puma deficit deepens to DM69m

By David Waller in Frankfurt

Losses at Puma, the German-based sports goods manufacturer which has been reorganised, more than quintupled last year to DM68.8m ($39m) compared with a DM12m loss in 1992.

The group blamed the costs of rationalisation measures. These gave rise to extraordinary restructuring charges of DM60.5m at the parent company level.

Excluding licence income, turnover dropped by 11 per cent last year to *DM457.6m* following DM512.8m in 1992. Including licence revenue, group turnover rose by 1 per cent to DM1.18bn.

Foreigners eager for Czech sell-offs

Shares in 861 groups are on offer, write **Patrick Blum and Anthony Robinson**

Mr Vaclav Klaus, the Czech prime minister, offered British businessmen a plethora of uplifting quotes from Adam Smith, the 18th century prophet of *laisser faire* capitalism, in London yesterday. But he had little concrete to offer those seeking an easier way through the Czech bureaucracy to potentially lucrative contracts and participation in the privatisation of Czech industry.

The Czech Republic, he told a luncheon audience organised by the Adam Smith Institute, British Gas and Bass, the UK brewer, had an embarrassing surplus of foreign capital. The central bank was having to neutralise the inflow by domestic monetary manoeuvres. *Czech companies were looking* forward to the time when they would be investing abroad in foreign assets, not just absorbing foreign capital, he added.

It was a tongue in cheek performance, and the audience loved it. Foreign investors have indeed been buying Czech *companies and shares on the* rising Prague bourse. They are closely following the outcome of the second wave of voucher privatisation which begins next month and should be completed this summer.

Shares in 861 companies with a book value of Kcs155bn ($5.3bn) are on offer, compared with about 1,000 companies worth more than $7bn last time. But interest has been lively with over 6m Czechs out of a population of 10.3m registering for voucher books.

Only Czech nationals can participate in the voucher scheme, but foreign investors are poised to move in on targeted companies once the process has been completed. Most will deal directly with investment funds, several of which have links with leading foreign institutions such as Credit Suisse First Boston, Corus of the US, Austria's Creditanstalt and Raiffeisen banks, and Epic, a Vienna-based fund.

The 400-plus funds played a large role in the first privatisation wave, winning control of 72 per cent of privatised shares. They *compete* fiercely to persuade investors to entrust them with the management of their portfolios.

Incentives for investors include promises of returns several times the Kcs1,000 cost of a voucher book, cheap loans and credits and other benefits. At least one fund has offered an immediate cash payment of Kcs7,000 with another Kcs1,000 promised later to buy the rights of voucher book holders, thereby getting around a ban on investors selling the books.

Foreign investors are locked out of the initial process, but they can buy shares from funds and individual shareholders once privatisations are completed. They can buy shares on the stock exchange or the rival over-the-counter RM-System, although lack of market liquidity and listed stock reduces opportunities. Stakes in companies can be bought directly from the government or the government-owned National Property Fund, as many large privatisations involve a mix of vouchers, and sale by public tender or direct sales.

Companies to be privatised include:

Vaclav Klaus: embarrassing surplus of foreign capital

- SPT Telecom: 26 per cent to be sold by vouchers. The government will decide shortly on a short-list of foreign partners to be offered a 27 per cent stake, although a partner is unlikely to be chosen before 1995.

There is strong interest from foreign telecommunications companies. SPT had net profit of Kcs3.5bn on revenues of Kcs18.4bn last year.

- CEZ: about 4 per cent of the its share capital will be sold by vouchers; 30 per cent was sold in the first wave. CEZ is one of the country's largest companies with a quasi monopoly of power generation – competition comes from a few small power plants run by municipalities.

It expects pre-tax profits of Kcs18.5bn on operating revenues of Kcs49bn for 1993. It is one of the most popular stocks on the market, given blue chip status by foreign analysts, although the company could face environmental problems.

- Chemopetro and Kaucuk Kralupy: two refineries which have attracted strong interest from Shell, and a separate consortium of Conoco, Agip and Total.

Some 36 per cent to be sold by vouchers, and at least another 30 per cent to be reserved for a foreign partner.

- Kablo Kladno: cables manufacturer; 66 per cent to be sold by vouchers, an additional 30 per cent reserved for Felten and Guillaume of Germany.
- Karosa: bus and truck manufacturer; more than 50 per cent to be sold by vouchers, with about 36 per cent sold to Renault Vehicules Industriels.
- Synthesia: the country's second largest chemicals company manufacturing organic chemicals and explosives including Semtex. Has switched most of its exports from former Comecon trade bloc to the West. Profits of Kcs199m on sales of Kcs4.6bn last year.

With the range of companies narrower than in the first privatisation, competition is expected to be strong for favoured stocks.

For international institutional investors, the second wave offers an opportunity to raise their holdings in one of eastern Europe's fastest growing emerging markets. About $200m in portfolio investment has moved into the Czech Republic since last June, and more is expected.

"There could be another $500m waiting to come in through institutional funds," says Mr Peter Galbraith, an analyst with Epic.

Buoyant Sandvik sees market growth in 1994

By Christopher Brown-Humes

Sandvik, the Swedish speciality steel and carbide group, yesterday reported a 30 per cent increase in profits for 1993, saying a four-year decline in demand for industrial products was over.

"There are now clear signs that the world market will expand during 1994," it said.

Mr Per-Olof Eriksson, group chief executive for more than 10 years, would be retiring in May, it said. He would be succeeded by Mr Clas Ake Hedström, head of Sandvik Tooling.

With market conditions again weak last year, the company relied on the fall in the krona and restructuring to lift profits to SKr1.98bn ($253m) from SKr1.52bn. The improvement was achieved in spite of a sharp drop in financial income, partly because of lower interest rates.

Sales rose 26 per cent to SKr21.8bn in 1993, in spite of lower volumes in all business areas except steel. Excluding currency factors and structural changes, sales were down 5 per cent, largely because of depressed demand in Europe, which accounts for 55 per cent of sales.

Orders rose 28 per cent to SKr22.1bn, but only process systems showed a clear increase in volume terms.

Star performer last year was the steel division, which lifted profits to SKr461m from SKr159m.

The group's biggest division, cemented carbide, lifted profits to SKr1.28bn from SKr879m, helped by currency factors. The saws and tools division was weakened by the performance of a German unit, Sandvik Belzer, but losses were cut to SKr3m from SKr82m.

The dividend is being increased to SKr2.25 per share from SKr1.90. Earnings per share rose to SKr4.90 from SKr4.20.

The group expects both sales and profits to rise this year.

Australia seeks to simplify buy-backs

By Nikki Tait in Sydney

Mr Michael Lavarch, the Australian Attorney-General, yesterday released a proposed simplification of rules for corporate share buy-back schemes. The changes could encourage more Australian companies to consider the option.

Although share buy-backs are permitted in Australia, they are subject to complex conditions. Critics of the current regulations claim compliance costs are heavy, and the safeguards against abuse are unnecessarily detailed. As a result – and in contrast to the US, where buy-backs are commonplace – few Australian companies have attempted to introduce such schemes.

Under the new proposals, companies would be able to buy back shares, other than redeemable preference shares. However, directors would have to sign a written declaration stating that, in their opinion, the company would be solvent immediately after the buy-back. They would be personally liable if the buy-back led to insolvency.

A company would also be allowed to buy back more than 10 per cent of its ordinary shares in a 12-month period, provided shareholders approved.

Restrictions on the source of funds for buy-backs would be eased, as would accompanying constraints on the timing of new issues – for example, under dividend reinvestment plans. At present, any company operating a dividend reinvestment plan is effectively barred from a buy-back scheme.

Ticklish business of disclosure

All may not be best for Hong Kong banks, writes **Simon Holberton**

The reporting season for Hong Kong's banks, now virtually complete, has been notable for the extent to which disclosure grabbed the attention of investors.

Two of Hong Kong's local banks, Hang Seng Bank and Bank of East Asia, both suffered, the latter because investors got tired of management being high-handed in its refusal to part with any information, and the former because investors did not like what they saw.

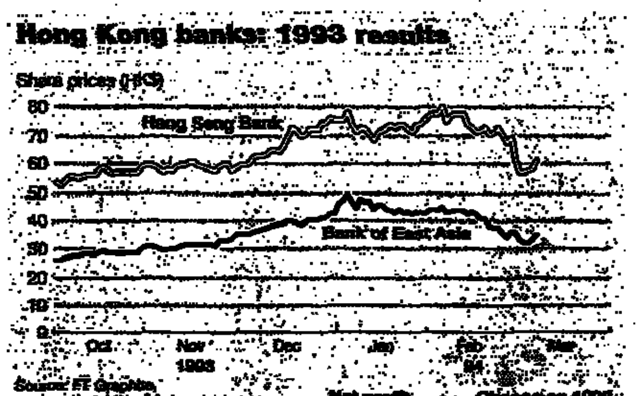
To add to bankers' worries, there emerged a lobby to end past privileges. The Consumer Council assailed the banks for reaping monopolistic profits from rigging interest rates on small deposits; it also called for greater disclosure of banks' inner reserves. According to Mr Roger Edgley, banking analyst at Crosby Securities: "Hong Kong has one of the lowest levels of disclosure; even banks in Indonesia reveal more."

Bank of East Asia, celebrating its 75th anniversary this year, got caught by investors' doubts after it unveiled a HK$1bn (US$129m) after-tax profit, some 46 per cent up on 1992's earnings. Given the paucity of information it published, analysts speculated that 1993 earnings had been bolstered by the use of past reserves.

Mr David Li, the bank's chief executive, was forced to issue a denial the day after the bank released its results; weeks later he was still having to explain himself. According to Mr Li, 1993 profits were augmented by the unwinding of previous provisions for bad and doubtful debts.

Hang Seng's problem was the opposite: too much disclosure for the market's liking. It had always been known that

Hong Kong banks: 1993 results



Source: FT Graphite

	Net profit HK$m	Change on 1992 %
Hongkong Bank	[illegible]	[illegible]
Hang Seng Bank	6,702	[illegible]
Bank of East Asia	[illegible]	[illegible]
[illegible]	473	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	205	42.4
[illegible]	172	[illegible]
Union Bank	116	41.0

Source: Company reports

Hang Seng had a portfolio of securities, but not one with a value of HK$12.4bn, including unrealised gains of HK$9.6bn. As one broker wryly observed: "Buy Hang Seng as a geared play on the market."

More seriously, analysts were concerned that Hang Seng recorded virtually no growth in its underlying banking business, in spite of its position as the premier retail bank in the colony.

According to Mr Steven Li, banking analyst with brokers Jardine Fleming, Hang Seng's profit growth was attributable to lower bad debt charges, a one-off reduction in staff costs, and trading profits on the equities portfolio of more than HK$1bn. With bank regulators and investors concerned about banks' exposure to Hong Kong's property market, Hang Seng is set for a period of soul searching, he says.

"Hang Seng has made its money the same way as the rest of Hong Kong, through the property and stock markets. But there are limits to property lending," he says.

According to one banking analyst, "Hong Kong has one of the lowest levels of disclosure; even banks in Indonesia reveal more"

The Hong Kong banking sector divides according to size. Hongkong Bank and Hang Seng Bank, its 63 per cent-owned listed subsidiary, dominate the market. Next come the medium-sized banks, led by East Asia and including Dah Sing and Dao Heng.

The third sector, the minnows, is where the greatest number of listed banks lie. These small banks enjoyed very strong profits growth on the back of expanding balance sheets. For most, 1993 profits grew by rates in excess of 40 per cent, compared with the majors whose profit growth was in the teens.

These high growth rates are, however, relatively easy to sustain for banks which are at an early stage of the growth cycle. Their size also allows them to behave in ways which regulators may find unacceptable in large banks.

There is, for example, evidence that some of the small banks are raising funds outside the interbank money market. They are going directly to large corporate clients of competitors and bidding deposits off them, sometimes at rates as high as one percentage point above interbank rates.

Hong Kong's benign interest rate outlook is, however, about to change. The US Federal Reserve Board signalled last month a change in the direction of interest rates; Hong Kong cannot remain immune from higher interest rates for long as its currency is linked to the dollar.

But Hong Kong is a highly profitable place for sellers of retail financial services. This was underlined by the results of Manhattan Card Co, the recently floated credit card subsidiary of Chase Manhattan Bank in the colony, which posted a 78 per cent rise in net profit to HK$154.7m last year. Hong Kong is a place where people like to spend money.

Posco senior management changed again

By John Burton in Seoul

Pohang Iron and Steel (Posco), the world's second largest steel company, has changed its senior management for the third time in 18 months.

The unexpected appointment of Mr Kim Mahn-je, a former deputy prime minister for economic affairs, as Posco chairman at the company's annual meeting followed the sudden resignation of Mr Chung Myunk-sik as chairman and Mr Cho Mal-soo as president.

They are reported to have resigned in protest over government interference in the management of the company, whose largest shareholder is the state with 35 per cent.

Mr Kim is the first outsider to head the profitable steelmaker, which was established in 1967, and his appointment may provoke criticism from the company's trade union.

Australian insurer to sell Californian unit

By Nikki Tait

C. E. Heath International, the Australian liability insurer which was spun off from its UK-based parent via local stock market flotation in 1992, is selling C. E. Heath Compensation and Liability Insurance Company (or Heath Cal), its Californian workers' compensation subsidiary, for A$132m (US$94.3m).

The purchaser of the business is Care America, a subsidiary of UniHealth America. The sale, according to the Australian group, should generate a pre-tax profit of about A$30m and is likely to be completed during the next few months.

C. E. Heath International said the funds generated from the sale would be ploughed back into expanding its interests in Australia, the UK and Asia.

It mentioned growth possibilities in the Australian workers' compensation market – "both Victoria and South Australia are expected to provide such opportunities in 1994-95" – and in liability and travel insurance in the UK. Other areas targeted for expansion include marine insurance and the Asian markets.

News of the sale came as C. E. Heath announced a profit after tax of A$38m in the 12 months to end-December. This compared with A$16.3m in the previous year. Net premiums were A$371.1m, up 27 per cent, and there was a small underwriting profit of A$4.6m.

Heath said operating profit before unrealised gains on investments and tax stood at A$40.3m, up from A$38.6m last time. Net unrealised gains on investment increased by A$31m before tax, to A$17.7m, and accounted for A$11.8m of the after-tax profit.

INTERNATIONAL COMPANIES AND FINANCE

Paramount and QVC show bid battle scars

By Martin Dickson in New York

Paramount Communications, the film and publishing group being acquired by Viacom after a $10bn takeover battle, yesterday reported a third-quarter net loss of $36.6m, due largely to disappointing audience figures for some recent film and television shows.

The loss was in line with a forecast loss of $35m to $40m which Paramount made last month in the final stages of the takeover battle between Viacom and QVC Network, the television home shopping channel.

QVC yesterday reported fourth-quarter net income of $2.8m, or 6 cents a share, down from $18.9m, or 40 cents, in the same period of last year, after taking $34.8m of pre-tax costs (an $18.8m net loss) for its unsuccessful Paramount offer.

However, QVC's operating income in the fourth quarter was 34 per cent higher, at $53.2m, compared with $39.5m, on revenues up 9 per cent at $372.5m, compared with $341.8m. Fourth-quarter net income also included a $1.1m extraordinary charge from the accelerated write-off of debt placement fees.

Mr Barry Diller, chairman, said the results confirmed QVC's core business was strong and "though obviously somewhat distracted while pursuing Paramount, we have not been deterred from our strategy to put in place an aggressive plan for growth in both our basic business and the emerging world of inter-activity".

For the full year, QVC reported net income of $59.3m, or $1.18 a share, compared with $55.1m, or $1.24, on sales 14.2 per cent higher at $1.22bn.

Paramount's third-quarter net loss, which worked through at 31 cents a share, compared with a net loss of $66.8m, or 56 cents, in the same period of last year, when it took a $66.9m one-time charge for an accounting change. Revennes were $1.01bn, up from $943.7m.

For the first nine months, earnings totalled $180.6m, or $1.50, against $149.9m, or $1.26, the previous year.

Time for USAir to face the music

Labour cuts could be its last chance, writes Richard Tomkins

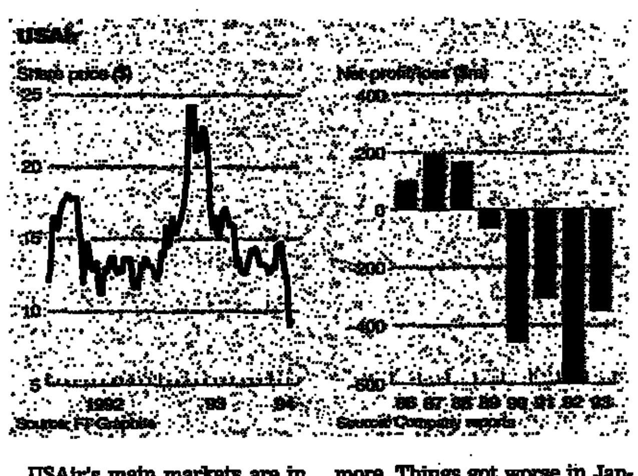
It is so long since USAir, the sixth biggest US carrier, made an annual profit that shareholders must have forgotten what it feels like. On Monday, they learned that this is not the year in which their memories are going to be refreshed.

Not only did USAir dash hopes that it would share in the recovery taking other big US airlines into modest profits; it warned that its sixth consecutive year of losses would take it even more heavily into the red than last year's $349m pre-tax.

The serious question now facing USAir's shareholders – and none more so than British Airways, which has spent $400m since early last year to buy and maintain a 24.6 per cent equity stake in the airline – is what future awaits such a poorly performing company in a market suffering so badly from overcapacity.

The precedents do not augur well. More than 100 airlines have gone bankrupt since the US airline industry was deregulated in 1978, many of them bigger and better known than USAir. Braniff International, Eastern Airlines, Trans World Airlines and Pan American World Airways are just a few.

Nor has the cut-throat competition in the US domestic market shown any signs of alleviating. If anything, it has grown worse, as overcapacity has enabled new operators to enter the industry by picking up redundant aircraft and crews on the cheap.



USAir's main markets are in the eastern US. Its primary hubs are in Charlotte, Pittsburgh, Baltimore and Philadelphia, all of which have direct flights to New York's JFK international airport where they connect with British Airways flights.

USAir has always suffered the disadvantage that its routes are predominantly short-haul in an industry where the revenue-to-cost ratios are more favourable on long-haul routes. Until recently, however, it had drawn comfort from the fact that many of its routes were effective monopolies.

That started to change last year when Southwest Airlines, the biggest and most successful of the new breed of low-cost airlines, moved into its market, setting up a rival hub in Baltimore. Things got worse in January when Continental Airways, fresh out of bankruptcy with a new, low-cost structure, announced that it was introducing its so-called Peanuts Fares to many routes in the east.

USAir was left with no alternative but to slash its own fares, which it duly did last month. But the inevitable consequence will be that its already very serious losses will grow still further, unless it can significantly cut its costs – and that means getting its labour unions to accept drastic cuts in jobs, wages and conditions of employment.

Seen against that background, it becomes clear why British Airways is threatening not to fulfil its agreement to take its stake in USAir to 44 per cent in the next four years by investing another $450m. Until now, USAir's labour unions have had little reason to accept the need for drastic cuts because if the airline ever got into really serious trouble, British Airways would be there. Now, British Airways has taken that security away.

Within hours of these developments on Monday, USAir's management had met representatives of its four labour unions and asked them to start talks. Some indication of the scale of the cuts that will be needed can be gleaned from the fact that its operating costs of 11.2 cents per available seat mile in last year's fourth quarter were more than 50 per cent higher than those of its competitors.

If the experience of other large US carriers offers an example, one likely outcome of the negotiations will be a deal under which a substantial proportion of the airline's equity is sold to its employees in return for labour concessions over a period of years. Under similar deals, employees have already taken 37.5 per cent of Northwest Airlines and 45 per cent of a restructured TWA, and are due to receive 53 per cent of United Airlines.

Such action may be the least unattractive alternative. Mr Kevin Murphy, an analyst at Morgan Stanley, the Wall Street investment bank, points out that no US airline yet has lost as much as USAir without either reaching a deal with its unions – or going bankrupt.

Fourth-quarter rise boosts Varity shares

By Patrick Harverson in New York

Shares in Varity rose sharply yesterday after the US automotive, agricultural and industry machinery group reported a big improvement in fourth-quarter net income to $27m, or 59 cents a share, on a fully-diluted basis. A year ago, Varity earned $11.2m excluding extraordinary charges.

The results were well above Wall Street analysts' expectations, and Varity shares leaped $3½ to $48 (a new 52-week high) in early trading on the New York Stock Exchange.

The strong final quarter took 1993 profits to $76.3m, up from $33.4m a year earlier. After taking a non-cash charge to cover changes in accounting principles, however, the company recorded a net loss of $71.5m in its latest fiscal year.

Mr Victor Rice, chairman and chief executive, said the accelerating recovery in the North American automotive industry – the chief market for Varity's brake products – was the main factor behind the earnings improvement, while cost containment measures continue to help the group weather the impact of the recession in Europe.

Among its three business segments, the automotive products business, Kelsey-Hayes, made the biggest contribution to earnings growth in the final quarter, posting operating income of $22m on sales of $297m. Last year, Kelsey-Hayes earned $16m on sales of $249m.

Brazilian miner launches ADRs

By Patrick McCurry in São Paulo

Brazil's Companhia Vale do Rio Doce (CVRD), the government-controlled mining company and the world's largest iron ore exporter, yesterday launched an American depositary receipts (ADR) programme on the US over-the-counter market.

The company said the Level 1 programme was the first step towards a Level 3 ADR issue, which would involve an increase in capital and listing on a US stock exchange, but imposed much stricter accounting requirements.

Under yesterday's operation, each ADR represents 250 CVRD preferred shares, which have limited voting rights.

CVRD is Brazil's largest exporter, with net sales of $2.45bn last year. Its share price increased 162 per cent in dollar terms in 1993 and has grown by 43 per cent this year, helped by a very strong local market. Morgan Guaranty Trust, a subsidiary of J. P. Morgan, is acting as sponsor.

● Sakura Bank, a leading Japanese bank, has announced that it will issue Y100bn ($945m) in convertible preferred stock to boost its capital levels, writes Emiko Terazono in Tokyo.

It will be the first Japanese bank to issue preferred stock since the finance ministry eased restrictions on capital-raising programmes using the instruments last year.

The bank said its capital-to-assets ratio would rise by 0.5 percentage points to 9.6 per cent after the issue, which would enable it to expand its balance sheet by increasing lending.

Trilon losses cut to C$38m

Trilon, a financial services subsidiary of Toronto's Hees-Edper group, reduced its 1993 loss to C$38m (US$28m), or 74 cents a share, from C$331m, or C$3.90, in 1992, writes Robert Gibbens in Montreal. The results include special charges of C$107m, against C$433m, for Trilon's share of losses by Gentra, the former Royal Trust Co.

Before special charges, Trilon was profitable in the fourth quarter of 1993 and expects to remain in the black through 1994. The real estate brokerage has been restructured, and merchant banking reduced.

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De Beers raises dividend 7% as earnings climb

By Matthew Curtin in Johannesburg

De Beers, the South African company which dominates the world diamond trade, is lifting its total 1993 dollar dividend by 7 per cent. The lift confirms the stout turnround in the diamond business from the difficult conditions in 1992.

The dividend is increased to 84.4 US cents a share from 79.1 cents in 1992. Earnings rose 16 per cent to 230 cents from 199 cents a share.

The shares reacted strongly to the news, climbing to a new high of R116 on the Johannesburg stock exchange, before retreating to R115 at the close. Mr Julian Ogilvie Thompson, chairman, said he was "pleased" with the results, which were underpinned by the first increase in four years in global retail diamond sales.

The group's Central Selling Organisation (CSO) sold a record $4.37bn in rough diamonds in 1993, against $3.42bn the year before, led by good demand in the US and east Asia. Mr Jeremy Pudney, CSO marketing director, said Korea, Taiwan and Thailand had overtaken France and Germany as the group's most important markets after the US, Japan and Italy. However, demand in Japan and Italy remained weak.

Mr Gary Ralfe, a director, said the group's relationship with Russia remained uneasy, although sales in December of uncut diamonds from the country's Treasury stockpile – in breach of a marketing agreement between De Beers and the government – had not been repeated so far this year.

Pre-tax income rose to $789m from $728m, reflecting the overall improvement in the jewellery trade and an increased contribution from South African operations, boosted by the build-up to full production at its new Venetia mine.

Mr Ogilvie Thompson said results from Centenary, De Beers' Swiss-based arm, were hit by retrenchment costs at Namibian mines and the Irish-based industrial diamond division, plus its smaller share of total diamond sales as Venetia's output increased.

Improved margins help boost Haeco

By Louise Lucas in Hong Kong

The Hongkong Aircraft Engineering Company (Haeco), the aircraft maintenance subsidiary of the Swire Pacific Group, has reported a 15 per cent increase in profits, to HK$447m (US$57.8m) for calendar 1993 from HK$387.9m the previous year. It attributed the rise to improved margins.

Profits rose on the back of good use of facilities, boosted productivity and stringent cost controls, the company said. Line maintenance revenues improved as Haeco took in hand a 12 per cent bigger slice of aircraft movements at the colony's Kai Tak airport. Concerns over the high level of inflation in the colony, of around 8.5 per cent, have prompted the drive for enhanced productivity.

Earnings per share rose to HK$2.41, against HK$2.09 in 1992. Shareholders are to receive a dividend of 71 cents, up from 64 cents the previous year. The results were in line with market expectations.

The company said it was continuing talks with the Provisional Airport Authority over a licence to operate maintenance facilities at the new airport at Chek Lap Kok. At the same time, it is anticipating that volumes at Kai Tak will continue to rise and expects to be able to secure healthy levels of work this year.

Australian TV network cautious in spite of rise

By Nikki Tait

Mr Kerry Packer's Nine Network Australia, the country's dominant commercial TV operator, yesterday announced an after-tax profit of A$48.51m (US$34.9m) for the six months to end-December, up by 25.3 per cent on the same period of 1992-93.

However, Nine warned that the increased costs associated with covering overseas sporting events – including the Winter Olympics and the current South African cricket tour – would peg its second-half profit at around last time's figure.

"The directors are not anticipating a second-half result significantly above last year," said the company.

Nine Network said its earnings before interest and tax rose by 15 per cent to A$72.7m, with TV advertising increasing by over 10 per cent, mainly in the first quarter.

Total group revenue stood at A$312.4m, compared with A$288.1m last time – an increase of 8.4 per cent. Nine said the slower overall increase reflected the sale of the Perth radio stations and flat revenue growth at Sky Channel.

● Ashton Mining, the Australian diamond producer, yesterday reported a net profit of A$36.6m in 1993, up from A$35.4m the previous year.

The 1993 figure is scored after an A$11.8m net abnormal item (nil in the previous year). Ashton said the performance was "particularly pleasing, given the lower diamond sales revenue resulting from the full-year impact of the CSO deferred purchases in 1993".

SNC-Lavalin strong

SNC-Lavalin, the Canadian-based engineering and construction management group, posted a 74 per cent gain in 1993 net profit, to C$16.3m (US$11.9m), on revenues 6.5 per cent higher, writes Robert Gibbens in Montreal. Mr Guy Saint-Pierre, president, said international volume rose.

PosGold market raid ends battle for Aztec Mining

By Nikki Tait in Sydney

The A$287m (US$206.5m) battle for Sydney-based Aztec Mining, the metals group, came to an abrupt end yesterday. PosGold Investments, part of Mr Robert Champion de Crespigny's Normandy Poseidon group, snapped up more than three-quarters of its shares in a stock market raid.

The victory came just a day after PosGold lifted its cash offer for Aztec from 68 cents a share to 74 cents, and waived certain conditions, allowing it to buy its target's shares in the market.

No sooner had dealing opened yesterday, than it was announced that Alumax, the US group which held a 37 per cent interest in Aztec, had sold its shares to PosGold at the higher price. By late afternoon, PosGold said it had raised its interest to around 85 per cent of Aztec's equity.

Aztec directors, who had previously recommended an all-paper merger with Pancontinental Mining, reluctantly urged other shareholders to follow suit. They acknowledged that the fall in Pancon's price since its bid was announced meant that offer was worth less than PosGold's.

"While directors do not believe that the revised PosGold offer reflects the full value of Aztec, in view of the fact that control of Aztec will now pass to PosGold the directors recommend to shareholders that they accept the revised PosGold offer of 74 cents per share, rather than the Pancontinental offer," they said.

Aztec shares ended the day six cents higher, at 74 cents, while the bid's success lifted PosGold by 14 cents, to A$3.20. Pancontinental also gained. Its shares rose 12 cents to A$1.82.

Death of a golden chance

Robert Champion de Crespigny speaks to **Kenneth Gooding**

While Mr Robert Champion de Crespigny, chairman of the Australian Normandy Poseidon group, yesterday celebrated his unexpected victory in the hostile and contested bid for Aztec Mining, he was also quietly burying another important deal.

Poseidon Gold, the subsidiary through which the Aztec bid was launched, also hoped to build a big gold business outside Australia via a joint venture with Metall Mining, the Canadian subsidiary of Metallgesellschaft of Germany.

It was forecast that the new PosMetall Gold would emerge in three or four years with an annual output of 300,000 troy ounces of gold from a global spread of precious metal interests. PosMetall would then have been floated in North America and Australia.

This plan, however, has crumbled following the recent financial collapse of Metallgesellschaft. Mr Kajo Neukirchen, new chief executive, has made clear he intends to sell Metall. Mr de Crespigny said it was impossible to go ahead with the proposed joint venture because he did not know who would control Metall. "It is safe to assume that the deal is dead," he said.

Nevertheless, a joint venture gold project under way in Turkey with Metall would continue. Poseidon had expected the Turkish project to be producing in time to fill a predicted dip in its gold output. However, production there had been delayed by permit problems, so the bid for Aztec was made to fill the gap.

When the Aztec offer seemed like failing, Poseidon bought 40 per cent of the Boddington gold mine in Western Australia for US$116m (A$83.45m) from Reynolds Metals of the US. This deal has been challenged by another Boddington shareholder, but Mr de Crespigny said he was sure Poseidon would take the stake.

Poseidon's main interest in Aztec was its Bounty gold mine, half-way between Perth and Kalgoorlie, where Poseidon operates Australia's biggest single gold mine, the Superpit.

The bid will also contribute to Normandy Poseidon's strategic objective of having within five years three core divisions – gold, base metals and industrial minerals – each capable of producing annual operating profits of A$50m.

It will give the group control of Golden Grove, which owns the Scuddles zinc mine and also brings with it the Woodcutter mine. Between them, they have an annual output of 200,000 tonnes of zinc.

However, Mr de Crespigny said it was not certain that Woodcutters would be kept by his group, which would certainly sell Aztec's coal interests.

He said there was no need for Normandy to raise new capital to cover the Aztec deal, and that the group's net debt would be virtually eliminated by the end of this year.

Mr de Crespigny faces two areas of uncertainty: his relationship with the Anglo American Corporation of South Africa, which owns nearly 20 per cent of Normandy, and charges brought by the Federal director of public prosecutions over the 1989 takeover.

Anglo recently reshuffled its assets and handed its Normandy stake to Minorco, its Luxembourg-based subsidiary.

Mr de Crespigny, who rarely gives press interviews, said the relationship with Anglo was "very special," and he expected it to continue that way. However, Minorco had only 5 per cent of its assets in Australia and would obviously want more.

"How that will come out I don't know," he said.

He also admitted there was likely to be some competition for global projects between Normandy and Minorco. Normandy is concentrating on Australia, Indonesia, Vietnam and Laos. South America was too far away and a move into Africa, on Anglo's doorstep, would, he said, "be like kicking sand in your mother-in-law's face".

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.57	17.29	17.29
0100	14.84	19.31	21.54
0130	14.56	19.80	22.02
0200	14.84	19.41	21.63
0230	14.56	19.80	22.02
0300	14.54	19.31	21.54
0330	14.54	19.31	21.54
0400	10.90	17.34	17.34
0430	10.57	17.19	17.19
0500	10.55	17.17	17.17
0530	10.91	17.19	17.19
0600	10.91	17.20	17.20
0630	10.91	17.18	17.18
0700	14.83	19.51	21.74
0730	14.93	20.09	22.32
0800	15.01	20.10	22.33
0830	15.01	20.11	22.34
0900	15.01	21.03	23.27
0930	15.01	21.06	23.30
1000	15.01	21.06	23.31
1030	15.01	21.06	23.30
1100	15.01	21.04	23.29
1130	15.01	21.04	23.28
1200	15.01	21.04	23.28
1230	15.01	21.03	23.28
1300	15.01	21.01	23.24
1330	15.01	20.10	22.33
1400	15.01	20.01	22.24
1430	15.01	17.43	17.43
1500	15.01	17.42	17.42
1530	15.01	17.42	17.42
1600	15.01	17.49	17.49
1630	18.37	23.58	26.97
1700	15.04	25.81	29.06
1730	18.41	44.70	48.40
1800	18.49	44.93	48.62
1830	18.63	40.96	44.00
1900	18.64	23.98	26.43
1930	18.56	21.24	23.62
2000	18.39	21.05	23.29
2030	18.36	20.70	22.92
2100	16.01	20.37	22.69
2130	15.64	19.82	21.84
2200	16.51	19.62	21.84
2230	14.74	17.37	17.37
2300	14.62	17.20	17.20
2330	10.90	17.15	17.15
2400	10.89	17.15	17.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. [illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. [illegible]
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LONDON RECENT ISSUES

Newly issued shares appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.

In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest indices and London traded options prices.

On Saturdays it appears in the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

INTERNATIONAL CAPITAL MARKETS

Recovery ends as investors reduce their risk

By Conner Middelmann in London and Patrick Harverson in New York

The fragile recovery in European government bond markets ended yesterday, with 10-year bonds shedding about a point in most markets.

"Although markets had consolidated over the last few days, investors are still very nervous and are using the strength to off-load [long] positions while speculative funds are re-establishing short positions," said Mr Keith Edmonds, chief analyst at IBJ International.

"There's a much greater awareness of risk in the market," said Mr Jouni Kokko, international economist at S. G. Warburg Securities. "Many long-term investors have had their belief in the bull market story shattered and prefer to reduce their risk on any uptick," he added.

Market participants are keenly awaiting the Bundesbank's allocation of variable-rate securities repurchase agreements today. Most traders expect a small drop in the minimum repo rate to around 5.90-5.92 per cent from last week's 5.97 per cent. In the event of a small reduction, "we could see a brief rally, but people would probably look to sell at that level rather than buy," said Mr Kokko.

Weaker US Treasuries and rumours of near-term monetary tightening by the US Federal Reserve also put pressure on European bonds.

■ German bunds set the pace, with most activity centred in the futures pits, where trading was very technical. The June future broke several key support levels on its way down. "Each time we approached a support level, the contract went through it like a hot knife through butter," said a German dealer. The contract hit a low of 96.40 and stood at 96.60 in late London trade, down 0.83 points on the day.

Bunds dramatically under-performed their Dutch counterparts, which have seen less foreign selling in recent weeks.

GOVERNMENT BONDS

"Foreign holdings in the German market were massive, while at the long end of the Dutch curve, domestic holdings have outweighed," said Mr Torsten Böhler, senior bond analyst at UBS. "Dutch domestics are holding on to their paper, while German domestics can't absorb all the paper sold by the internationals."

The Dutch 10-year benchmark yielded some 10 basis points below its German counterpart yesterday, after being only 2 basis points below two trading days earlier.

■ The release of stronger than expected industrial output data got the UK gilt market off to a bad start and prices slid further in the afternoon on the back of weaker bunds. The June long gilt futures contract on Liffe fell by about [illegible] points from Monday's close to [illegible].

■ French bonds also slid, fuelled by domestic selling. All eyes are on the Bundesbank's repo, which is seen to set the pace for much-needed rate cuts in France.

On the Matif, the March bond futures contract ended at 126.22, down 0.46 from Monday.

■ Japanese government bonds rose on late short-covering in Tokyo and continued to post small gains in London trading. However, sentiment remains subdued by trade tensions between Japan and the US as well as supply concerns.

■ After firming at the opening, US Treasury prices edged lower across the maturity range yesterday morning.

By midday, the benchmark 30-year government bond was down [illegible], to yield 6.811 per cent. The two-year note was down $\frac{1}{32}$ at $99\frac{7}{8}$, yielding 4.876 per cent.

Trading was quiet, although prices did post modest gains in the first few hours of business. Analysts attributed the buying to a sense of relief among investors that the Federal Reserve has not raised interest rates this week.

The market could not maintain its early upward momentum, however, and as soon as the buying petered out, prices began to decline. In the absence of significant economic news, trading was described as very thin.

Russian securities licence for CSFB unit

By Tracy Corrigan

CS First Boston's Russian subsidiary has been granted a securities licence by the Russian ministry of finance.

The licence allows the firm to trade and underwrite equity and debt, and is the first to be granted to a foreign-owned institution.

The bank's main focus will be on the over-the-counter stock market, where turnover is currently an estimated $800m a month, according to Mr Boris Jordan, co-head of the Russian subsidiary.

Mr Jordan expects Russia's capital markets to expand rapidly, due to growing interest from emerging market investors. He predicts financial investment of around $5bn in Russia this year.

Other foreign banks have been slow to follow CSFB's lead in Russia, citing lack of sufficient flows of business and infrastructure difficulties. But Mr Jordan insists that CSFB's Russian subsidiary "has been a profitable operation from the start".

● Merrill Lynch of the US is increasing its presence in China with a second representative office, in Beijing, our Beijing staff write.

Mr Li Peng, China's premier, urged Mr Daniel Tully, Merrill Lynch chief executive, at a meeting in Beijing this week to further strengthen his company's involvement in China's financial sector. It is already operating in Shanghai.

Merrill Lynch is now a chief underwriter of Chinese company shares and government bonds in the international financial markets. It has raised more than $4bn for China through 23 securities issues since 1992.

S&P cuts ratings of Japanese banks

By Emiko Terazono in Tokyo

Standard & Poor's, the international credit rating agency, has lowered the debt ratings of Industrial Bank of Japan and Long-Term Credit Bank of Japan, two of Japan's leading long-term credit banks, because of their larger than expected exposure to bad loans.

The agency lowered IBJ's senior debt rating from AA minus from A plus, while LTCB's senior debt ratings were cut from A to A minus.

S&P said substantial write-offs will ultimately be necessary by IBJ to resolve its bad loans to housing loan companies. However, the write-off process has been limited due to IBJ's earnings levels and the limit on the sales of its cross-shareholding portfolio.

LTCB's downgrade reflects the large amount of restructured loans, or loans on which the bank has lowered or waived interest to help restructuring, on top of Y731bn in non-performing loans.

Meanwhile, S&P has also downgraded the claims-paying ability ratings of four non-life insurance companies and two life assurers. Japan's non-life insurance sector is suffering from reduced profitability due to higher loss ratios, insufficient premium rates and greater catastrophe costs. Increased competition is also expected to hurt the country's life assurers.

The claims-paying ability ratings of Chiyoda Fire & Marine, Dai-Tokyo Fire & Marine, Nichido Fire & Marine, Nippon Fire & Marine, Yasuda Mutual Life and Meiji Mutual Life were downgraded to AA plus from AAA.

Turkey postpones $750m global offer

By Antonia Sharpe

Recent price weakness in government bond markets claimed another victim yesterday when the Republic of Turkey pulled its $750m global bond offering at the eleventh hour. Two weeks ago, a heavy fall in US Treasuries led the National Bank of Hungary to delay its global offering.

INTERNATIONAL BONDS

Joint lead manager Salomon Brothers blamed poor market conditions for Turkey's postponement. It said US Treasury yields had risen five basis points since price talks with the borrower earlier in the day.

Turkey had considered inserting a three-year put option into the 10-year offer to make it more palatable. Although price talk was around 350 basis points over the yield on 10-year Treasuries, the put meant Turkey would have to pay 350 basis points over three-year Treasuries. This was thought too high.

Although Turkey decided to wait for better conditions, syndicate managers reported a wide range of borrowers making enquiries about raising funds in the Eurobond market.

The Inter-American Development Bank confirmed that it was considering a Eurobond offering in sterling, the proceeds of which would be swapped into Swiss francs. The 10-year bond was likely to raise around £125m and could be launched this week provided agreement could be reached on terms. The bank said S.G. Warburg was involved in the discussions. Price talk was 10 to 15 basis points over the yield on 10-year UK gilts.

The main deal was a £250m offering of five-year Eurobonds from Chubu Electric Power of Japan. The pricing of the bonds, to yield 40 basis points over five-year gilts, was described as generous in the light of the borrower's superior credit rating. Joint lead manager S.G. Warburg said realistic pricing was needed to re-open the market after the recent fall in bond prices.

Nevertheless, syndicate managers said the pricing was not enough to ensure swift placement and estimated that only half of the bonds had been sold by the close of business.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Uniden Corp.(a)Φ	160	1.00	100.00	Mar.1998	2.25	-	Nomura International
Banco Francês e Brasileiro	110	7.50#	100.00R	Mar.1995	0.50R	+330(T-bill)	Crdt.Lyonnais Euro-Secs.
Bank of Tokyo Trust Co.(b)‡	50	(c)	100.225	Apr.2004	0.325	-	Bank of Tokyo Cap.Mkts.
Ohki Corp.(d)★Φ	50	1.25	100.00	Mar.1998	2.25	-	Fuji Bank (Schweiz.)
STERLING							
Chubu Electric Power(e)	250	6.75	99.55R	Aug.1999	0.25R	+40 (6%-99)	Sakura Fin./ SG Warburg
SGW Finance(f)‡	150	(g)	99.85R	Mar.1998	0.175R	-	SG Warburg Securities
ITALIAN LIRE							
Deutsche Bank Finance(h)	100bn	8.25	99.36	Jan.2004	2.00	-	Deutsche Bank London
SWISS FRANCS							
Sharp Corp(i)★Φ	700	0.125	100.00	Mar.1998	-	-	Credit Suisse
LUXEMBOURG FRANCS							
National Bank of Hungary	2bn	8.875	101.90	Apr.2001	-	-	BCEE

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 16/3/94. b) Callable on 14/4/97 and annually thereafter at par. c) 6-mth Libor +0.45% for 1st 3 yrs and 9% fxd thereafter. d) Fixing: 14/3/94. e) Short 1st coupon. f) Puttable in Mar.96 at par. g) 3-mth Libor +0.2%. h) Fungible with outstanding L200bn. Plus 83 days accrued. i) Fixing: 10/3/94.

BCH under review for downgrade by Moody's

By Tom Burns in Madrid

Moody's, the US credit rating agency, has placed Banco Central Hispano, Spain's largest bank in terms of assets, under review for possible downgrade.

The development affects about $2.5bn of debt, and BCH's share price fell 3.3 per cent yesterday in Madrid. The bank is currently rated A1 and Prime-1 for long and short-term certificates and Prime-1 for commercial paper.

This is the first move by a rating agency on a Spanish bank since the Banesto crisis broke last year. The Spanish central bank sacked Banesto's board after finding that it had grossly overvalued its assets. Banesto is to be sold to a domestic bank next month.

Moody's said it would focus on BCH's core earnings, including its reliance on non-recurring earnings, on the quality of its assets and on the progress of a cost reduction programme that followed the 1991 merger between Banco Central and Banco Hispano Americano that created BCH.

BCH's net interest income narrowed in 1993 and its operating profit margin was significantly boosted by strong trading revenues earned during last year's volatile interest rate and currency movements.

Bad debts, which were above 7 per cent of its loan portfolio, eased slightly and BCH claims now stand at 6.8 per cent, below the sector average.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	115.0100	+0.450	7.10	6.94	6.38
Belgium		7.250	04/04	101.7500	-0.800	7.00	7.06	6.60
Canada *		6.500	06/04	94.9000	-0.450	7.21	7.03	6.62
Denmark		7.000	12/04	102.6500	-0.900	6.62	6.66	6.18
France	BTAN	6.000	05/98	105.3000	-0.270	5.70	5.42	5.27
	OAT	5.500	04/04	94.4100	-0.650	6.26	6.35	5.90
Germany		6.000	09/03	99.0800	-0.040	6.12	6.21	5.86
Italy		8.500	01/04	95.9300	-0.470	9.13†	9.42	8.46
Japan	No 119	4.800	06/99	104.6650	-0.470	3.70	3.42	3.11
	No 157	4.500	06/03	103.2430	+0.350	4.02	3.79	3.53
Netherlands		5.750	01/04	97.4000	-0.480	6.11	6.18	5.78
Spain		10.500	10/03	111.9500	-0.400	8.61	8.09	7.98
UK Gilts		6.000	08/99	98-07	-8/32	6.40	6.47	5.87
		6.750	11/04	97-25	-33/32	7.06	7.14	6.48
		9.000	10/08	115-23	-38/32	7.24	7.31	6.77
US Treasury *		5.875	02/04	95-20	-7/32	6.34	6.18	5.95
		6.250	08/23	92-27	-14/32	6.82	6.68	6.40
ECU (French Govt)		6.000	04/04	95.6000	-0.620	6.61	6.71	6.20

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates		Treasury Bills and Bond Yields			
Prime rate	6	One month	3.25	Two year	4.53
Broker loan rate	5	Three month	3.60	Five year	5.73
Fed.funds	$3\frac{1}{4}$	Six month	3.87	10-year	6.28
Fed.funds at intervention	-	One year	4.22	30-year	6.77

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	126.66	126.22	-0.46	126.76	126.08	280,665	118,643
Jun	126.12	125.72	-0.44	126.26	125.62	43,705	97,861
Sep	125.38	124.96	-0.44	125.44	125.04	228	10,408

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
125	1.39	1.89	-	0.65	1.18	-
126	0.75	1.30	-	1.00	1.60	2.30
127	0.36	0.87	1.01	1.60	2.11	-
128	0.11	0.47	-	-	2.77	3.58
129	0.05	0.26	-	-	3.46	-

Est. vol. total, Calls 34,224 Puts 39,502 . Previous day's open int., Calls 343,236 Puts 246,563.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.46	96.53	-0.90	97.62	96.40	185659	209063
Sep	96.96	96.34	-0.90	96.96	96.67	401	4295

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9650	1.22	1.44	1.19	1.60
9700	0.97	1.22	1.44	1.88
9750	0.77	1.02	1.74	2.18

Est. vol. total, Calls 14052 Puts 12554. Previous day's open int., Calls 227320 Puts 205637

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.25	100.70	-0.46	101.27	100.70	1478	2524

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.95	111.72	-1.26	113.15	111.30	45678	96486
Sep	-	111.27	-1.21	-	-	0	2

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11150	2.47	3.11	2.25	3.34
11200	2.20	2.86	2.48	3.61
11250	1.96	2.66	2.74	3.89

Est. vol. total, Calls 2816 Puts 1892. Previous day's open int., Calls 59714 Puts 47998

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.54	100.88	-1.60	102.61	100.85	64,000	74,674
Jun	102.40	100.66	-1.32	102.40	100.50	10,287	63,924

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-20	112-23	-0-30	113-20	112-18	3281	15080
Jun	112-26	111-25	-0-31	112-27	111-16	77827	144263
Sep	111-17	110-31	-0-29	111-17	111-17	10	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
111	2-19	2-20	1-33	2-22
112	1-49	1-55	1-63	2-57
113	1-21	1-30	2-35	3-32

Est. vol. total, Calls 3013 Puts 4447. Previous day's open int., Calls 63078 Puts 45680

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	118.46	118.20	-0.26	118.56	118.00	3,630	12,089
Jun	92.52	92.20	-0.36	92.58	92.30	329	575

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	111-03	111-15	+0-09	111-16	111-03	19,486	100,621
Jun	110-02	110-12	+0-09	110-14	110-00	286,790	286,346
Sep	109-05	109-16	+0-09	109-17	109-05	732	35,729

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	110.05	-	-	110.47	110.13	2715	0
Sep	108.89	-	-	109.20	108.89	4	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Mar 8	Day's change %	Mon Mar 7	Accrued interest	xd adj ytd
1 Up to 5 years (23)	127.38		127.38	1.95	2.07
2 5-15 years (24)	154.19	-0.33	154.69	1.76	3.13
3 Over 15 years (8)	175.46	-0.71	176.72	0.74	3.53
4 Irredeemables (6)	206.97	-0.50	205.95	2.46	1.47
5 All stocks (61)	149.99	-0.20	150.43	1.66	2.62
Index-linked					
6 Up to 5 years (2)	186.03	-0.04	186.10	0.76	1.41
7 Over 5 years (11)	184.25	-0.12	184.47	0.91	0.79
8 All stocks (13)	183.73	-0.11	183.94	0.89	0.85
Debentures and loans					
9 Debs & Loans (73)	148.47	-0.03	148.50	2.22	2.37

Yields: [illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on March 8

[illegible]

UK GILTS PRICES

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Growth expected to continue at Hays

By Andrew Bolger

Hays, the business service group, increased its pre-tax profits by 33 per cent to £38.6m in the six months to December 31.

Mr Ronnie Frost, executive chairman, said the distribution and personnel core activities both increased profits by a substantial margin while commercial activity saw profits increase more modestly.

He said; "The improvement in profit is expected to continue in the second half, although the percentage increase will be lower due to the stronger performance in the comparable period last year."

Hays said the trading environment of its UK businesses had slowly improved since January, 1993, whilst the German and French economies remained in recession.

In distribution, operating profits increased by 34 per cent to £23.4m.

Mr Frost said the chemical distribution profits were adversely affected by over £1m as a result of the weakness in the world price of caustic soda, although sales volumes had been well maintained.

He said: "There was a particularly strong performance from packaged chemicals which continued to increase both market share and margins, winning a new contract with Shell for the distribution of solvents."

In personnel, operating profits bounced back from £2.1m to £6.4m. Temporary placements were particularly buoyant and the number of permanent placements had also started to increase, but at a slower rate.

Operating profits from commercial activities rose from £10.6m to £11.7m. Britdoc, the group's overnight parcels business, had expanded. However, profits from records management fell as demand shifted from space managed by clients towards Hays fast access storage.

Earnings per share increased by 31 per cent to 6.4p (4.9p). The interim dividend was lifted by 15 per cent to 1.95p (1.7p).

● **COMMENT**

A share price unchanged at 309p seemed scant reward for announcing this sort of profits increase. But on a day that the FTSE 100 fell 41.5 points, just holding on to recent gains was no mean achievement. The results were in line with expectations, although analysts were disappointed that the share of profits coming from the group's highly regarded commercial activities fell back from 35 to 28 per cent. Forecast full-year profits of £85m put the shares on a prospective multiple of 22, a 30 per cent premium to the market. The shares have outperformed by 16 per cent over the past year, so they certainly are not cheap at this level. However, Hays still has plenty of recovery potential in both personnel and caustic soda distribution, even if Mr Frost does not expect the chemical's price to firm much before the end of 1994.

Enviromed purchase and joint venture

By Tim Burt

Enviromed, the biotechnology group, yesterday announced a £9m acquisition and joint venture plan aimed at expanding its distribution and supply of research and healthcare products.

The company, which came to the market last year, said the expansion would be dominated by the acquisition of Biozyme, the private laboratory group, for £8.05m cash.

Mr Peter Townsend, chief executive, said Biozyme – which specialises in the isolation and supply of enzymes for clinical laboratories and the diagnostics industry – would complement its existing biochemical monitoring business.

"It's a very exciting prospect for us – Biozyme's enzyme technology will make an important contribution to our operations," he added.

Enviromed has also agreed to form a European joint venture with Selfcare, the US distributor of self-diagnosis and self-treatment products.

As part of the joint venture agreement, Enviromed is buying a 12.5 per cent stake in the Massachussett's-based company for $1.5m (£1m).

The Biozyme acquisition and Selfcare share stake will be funded by a £9.8m placing and open offer of 8.63m new ordinary shares at 125p each.

Singer and Friedlander, which is handling the offer, said existing shareholders would be offered new shares on a 3-for-5 basis.

Enviromed's directors, who currently hold 52.06 per cent of the shares, are expected to retain 34 per cent once the placing and offer is completed.

Gartmore higher than forecast

By Norma Cohen, Investments Correspondent

Gartmore, the UK-based fund management company yesterday reported pre-tax profits for 1993 of £24.6m, nearly £2m higher than forecast when its shares were first offered to the public last November.

Banque Indosuez floated 25 per cent of its stake in Gartmore last November in a sale which valued the company at about £338m.

Profits would have been £2.7m higher had it not been for non-recurring items relating to the disposition of a loan and staff retention scheme set in place when Banque Indosuez was the sole owner.

Gartmore's funds under management grew 64 per cent in 1993 to £21bn, with net new money up £4.2bn. The remainder of the growth was accounted for by market movements and investment returns.

Mr Paul Myners, executive chairman, said the rate of new business growth was highly unusual for Gartmore or for the industry generally and is unlikely to be repeated. "We would discourage analysts and others from forecasting this rate of growth," he said.

Mr Myners said the company was increasing its share of so-called specialist mandates as well as its share of balanced mandates. There has been a net increase of 22 new accounts and the average size of these is larger.

Mr Myners said that to handle the influx of new cash, Gartmore had increased its staff numbers by 36, mostly adding fund managers and client service managers. Industry analysts have said that the greatest difficulty facing Gartmore, now one of the so-called "Big Four" UK pension fund managers, is whether it can manage the rapid increase in funds under management without damaging investment performance or client servicing capacity.

Mr David Watts, managing director of Gartmore's pension fund management business, said that the growth in assets had made rapid execution of portfolio shifts somewhat more difficult.

Gartmore has begun to ask its clients for permission to use derivatives to gain access to markets quickly at lower execution costs.

Taunton and Molson in US cider deal

By Peggy Hollinger

Americans used to the traditional autumnal tipple of apple cider may find something rather more exotic on offer this year with the announcement yesterday that Taunton Cider has clinched a distribution deal with the specialist drinks importer, Molson USA.

Taunton is aiming at the up market drinker, including the "working woman who wants to stay in control". She will be able to enjoy products such as Fres, which is what Taunton calls a low alcohol product at just 4 per cent. Other ciders to be introduced are Diamond White and Red Rock.

Taunton said yesterday it planned to introduce six of its brands in four states from May through Molson's distribution network. After an initial trial period, one or two brands would be chosen for sale throughout the US.

The group is moving into the US as trading in the UK appears to have become increasingly difficult. Taunton also announced that competition from the supermarket economy brands continued to affect trading. A substantial marketing programme had been launched which would result in a lower average selling price for the second half.

As a result, Taunton said sales and operating profits were expected to be largely in line with last year's £129.9m and £19.7m respectively. However, Mr Nick Pearch, finance director, said there was likely to be some benefit at the pre-tax level from lower interest rates.

The US deal was not expected to show a return for some time. All proceeds from the first year's shipment would be reinvested in marketing.

Mr Pearch said the US potential was enormous, with the beer market some five times bigger than in the UK.

Johnson Matthey chief executive to resign

By Maggie Urry

Mr Richard Wakeling is to quit as chief executive of Johnson Matthey, the precious metals group, at the end of this month. He is expected to receive compensation in the region of £330,000.

Mr Wakeling is not being replaced, but Mr David Davies, chairman, is to take on the chief executive role as well. Mr Geoffrey Wilson, a non-executive director, is becoming deputy chairman.

Mr Wakeling, 46, joined JM as a non-executive director in 1987, when he was finance director of Charter Consolidated which held a 38.5 per cent stake in JM. Charter sold its stake a year ago. He became deputy chief-executive in January 1990 and chief executive in January 1991. JM said it wished Mr Wakeling well in his "alternative career".

JM said yesterday that Mr Wakeling's job had been to supervise the three year reorganisation of the group and he had now completed his task. It had been the consensus view of the board that his job was no longer necessary.

It said that operational management was strong and Mr Davies was a hands-on executive chairman.

Further, the group had talked to its institutional shareholders about combining the chairman and chief executive roles. The changes had been approved by two non-executives representing the group's two largest shareholders, Johannesburg Consolidated Investment and Minorco, which hold 20 per cent between them bought from Charter.

Mr Chris Clark, executive director in charge of materials technology, becomes managing director, materials technology, colour and print. Mr Graham Titcombe, executive director, precious metals and catalytic systems, becomes managing director with the same responsibilities.

Southern Newspapers surges to £7m midway

Profits at Southern Newspapers, the regional newspaper group, surged from £3m to £7.15m pre-tax for the 26 weeks ended January 1. The figure included a £3.5m profit from the sale of the group's shareholding in Portsmouth & Sunderland Newspapers.

Turnover improved to £36.62m (£35.41m), generating operating profits of £3.58m (£2.95m). The group had noted a "slight improvement" in trading conditions since July.

The main contributor to the improved trading performance was the newspaper division, although the magazine contract printing division increased turnover by a "significant" amount.

Earnings emerged at 25.28p (8.88p) and the interim dividend is being lifted to 3.5p (3p).

The directors said the acquisitions of the Stour Valley News, Monitor Business Magazine and the seven titles of the west country-based Star Newspaper Group had yet to make a real impact on the results.

They added that the benefit of rationalisation programmes in all cases should be seen in the second half.

The half year pre-tax result virtually matched the £7.51m returned for the previous full year.

Thorn EMI in German buy

Thorn EMI, the UK music and rentals group, is to acquire Intercord Tongesellschaft, the largest independent German recorded music company owned by Verlagsgruppe Georg von Holtzbrinck.

Intercord has an annual turnover of DM150m (about £58.5m) and about 5 per cent of the German market. Artists include Reinhard Mey, Pe Werner,Pur, Depeche Mode, Erasure and Captain Hollywood.

Burnfield tumbles to £0.78m

Burnfield incurred a loss in the second half and for the whole of 1993 suffered a profits fall from £2.68m to £776,000 pre-tax.

The total dividend year is being cut to 2.5p (5.75p) via a reduced final of 0.85p. Earnings per share were 1.4p (6.5p).

The second half deficit of £493,000 compared with previous profits of £1.57m.

The directors said, however, that 1994 had started well and that actions taken would bring an early return to earnings and dividend growth. The shares rose 5p to 77p.

Turnover rose from £29.82m to £38.53m. The West Midlands-based group manufactures industrial controls and measurement equipment. Restructuring costs of £1m at the Isopad and Budenberg offshoots were charged against profits as were aborted acquisition costs and head office restructuring expenses of £486,000.

Gibbs and Dandy back in the black with £850,000

Reductions in costs and interest charges and a halving of bad debts helped Gibbs and Dandy, builders merchants, turn in a profit for 1993 after three years of losses.

The company made a pre-tax profit of £852,000 for the year to December 31 against a loss of £124,000, helped by a cut in interest charges from £377,000 to £136,000 and the reduction of bad debts to £208,000.

Turnover for the year was 4.2 per cent ahead at £23.5m (£22.6m). Earnings per share were 7.4p, against losses of 1.4p.

The return to profitability by the end of the first half gave the company the confidence to pay its first dividend for more than three years, an interim of 1p, and to anticipate a second interim of at least 1p.

This is now to be paid at 1.5p, with the payment as a second interim instead of a final making earlier payment possible and giving a 2.5p total for the year.

Amec in Norwegian expansion

Amec Process and Energy, an arm of Amec, the engineering and construction group, said its Norwegian offshoot had entered the Norwegian contracting and maintenance industry through the acquisition of NE Norsk Elektro, giving Amec about 5 per cent of Norway's offshore contracting and maintenance market.

Norsk Elektro has three operating subsidiaries which will now trade as Amec-NE Contractors, Amec-NE Mekaniske and Amec Intronic.

Evode enhances Laporte's earnings

By David Wighton

Laporte, the speciality chemicals group, ended a three-year decline in earnings per share in 1993 helped by last February's acquisition of Evode, the adhesives and plastics manufacturer.

At the time the City had been sceptical of Laporte's insistence that Evode would enhance earnings. But Mr Ken Minton, chief executive, said that all Evode's businesses had performed extremely well and that the acquisition had more than met the commitment made to shareholders.

Evode, which cost £228m including debt, made an 11-month contribution with operating profits of £27.6m on sales of £250m. That helped group pre-tax profit advance 24 per cent to £107m (£86.6m).

Group turnover jumped 47 per cent to £893m (£608m) including associates of £16m (£86m). Earnings per share rose 6 per cent to 41.4p (39.2p). The dividend is also increased by 6 per cent with a proposed final of 13.3p taking the total to 20.7p (19.5p).

Ashley Ashwood

Ken Minton: disposals to fund capital spending and acquisitions

Mr Minton said that excluding acquisitions and favourable exchange rate movements pre-tax profits would have been "just slightly ahead".

The level of provisions against Evode, which surprised analysts when first announced at the interim stage, has edged up £1m to £25.9m.

Mr Minton said Evode's margins had more than doubled to 11 per cent and that there had been no benefit from written down stocks.

Profits were struck after sharply higher depreciation of £27.2m (£17.8m) following several years of heavy capital investment. Capital expenditure fell from £74.1m to £48.8m and there was a cash inflow from operations of £21.8m, compared with an outflow of £81.2m in 1992.

After peaking at £190m immediately after the Evode acquisition borrowings ended the year at £135m (£126m) for gearing of 44 per cent. Mr Minton said there would be further disposals this year with the proceeds "redeployed in capital expenditure and add-on acquisitions".

The shares fell 20p to 794p.

● **COMMENT**

The City seems to have regained its faith in Laporte after two years of doubt. Although earnings per share in 1993 were more than a tenth lower than the 46.7p recorded in 1989 supporters point to Laporte's achievements over the period, not least the exit from the Interox joint venture which left it a pure speciality chemicals company. The Evode deal shows once again it can make the acquisition numbers add up and the company can still blame market conditions for the lack of underlying growth. But that will have to change soon if its regained premium rating is to be sustained. Assuming profits of £120m this year, for earnings of about 45p, the multiple is now almost 18.

Barings leaps to £100m helped by securities side

By Norma Cohen, Investments Correspondent

Barings, the closely held UK-based investment bank, reported pre-tax profits of £100m for 1993, a dramatic improvement over 1992 when they halved to £21.2m from the year before.

The group, whose share capital is owned by a charity established by the Barings family, did not provide details of which activities had contributed most to profits. But Mr Andrew Tuckey, Barings deputy chairman, said that Baring Securities, which had experienced significant losses on Japanese equities in 1992, had recovered strongly in 1993.

He also said that the Group had benefited from the enormous surge in interest in investing in emerging markets. Among Baring's core businesses is its role as an agency stockbroker and trader of emerging markets securities with offices in 23 countries.

However, emerging markets have fallen somewhat since the start of the current year and Mr Peter Baring, chairman, warned that the improvement in the group's profitability was unlikely to continue at the same pace in 1994.

"During 1993, a number of factors working in our favour helped us produce significantly improved profitability. While it is unlikely they will persist during 1994, the year has started well and I believe we will face no shortage of opportunity," he said.

Barings said that its income from trading activity grew sharply from £65.3m to £149m while fees and commissions rose from £272m to £377m.

Operating expenses also rose sharply to £469m aginst £349m. Mr Tuckey said that worldwide, Barings has increased its staff by about 10 per cent but the need to increase bonuses had also contributed to the sharp rise in costs.

Mr Baring said: "It is imperative for us to remunerate competitively if we are to attract and retain good people; this is especially the case for a group like Barings which is operating internationally, often in direct competition with US-owned houses."

A reorganisation which integrated the Baring Securities and Baring Brothers and Co arms of the business into a new investment banking group is paying off, Mr Tuckey said. The costs of that reorganisation, due to be completed this year, were absorbed in the 1993 accounts.

Also contributing to profits were the activities of US investment bank Dillon Read in which Barings has a 40 per cent stake. Mr Tuckey said the bank, which specialises in US corporate finance and municipal bond underwriting and trading, had had its most profitable year ever in 1993.

ADT net income little changed at $111.7m

By Paul Taylor

ADT, the electronic security services and car auction group which does much of its business in the US but retains a UK quote, yesterday reported net income of $111.7m (£76.5m) for 1993.

The result was little changed from the $109.1m recorded in 1992, the first year that the Bermuda-registered group reported under US GAAP rules.

Earnings per share were unchanged at 80 cents despite a higher $21.2m ($6.8m) tax charge and the issue of 20.7m new shares as part of the $1.25bn refinancing package completed in August.

Operating income after goodwill amortisation of $26.5m ($27.9m) increased by 8.5 per cent to $197.4m ($181.9m) on net sales of $1.36bn ($1.35bn) led by the electronic security services business which lifted its profit contribution to $154m ($141m) on sales of $937.3m ($901.1m).

Commenting on the results, Mr Michael Ashcroft, chairman and chief executive, said they were "on target with the electronic security services division successfully adding 145,000 new residential customers during the year and the vehicle auction division having continued success in encouraging new and used vehicle dealers to attend the company's auctions on a regular basis."

Net interest costs increased to $47.3m ($42.7m) mainly reflecting a decline in interest income.

Mr Ashcroft said the refinancing, which lengthened ADT's average debt maturities to over seven years, provided "a firm base for the continued development of the businesses."

● **COMMENT**

ADT's two core businesses continue to perform solidly if not spectacularly with net cash flow from operations increasing to $271.4m ($221.9m) last year. ADT's residential security operations continue to benefit from growing concern about crime on both sides of the Atlantic while the car auctions business should benefit from *the revitalised new car* market. The group has been investing heavily to cut costs and the few remaining non-core operations are slated for sale. Offsetting these positives are the higher interest costs associated with the debt refinancing and the continued increase in ADT's reported tax rate, which will leave earnings virtually unchanged this year. ADT's shares continue to *underperform the market*, reflecting investors' concerns about the group's chequered history.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brent Intl ......fin	2.4	May 23	5.8	4	7.4
Burnfield ......fin	0.85	Apr 29	4.1	2.5	5.75
Claremont Garm't......fin	4.5	Jul 4	3.95	8.1	7.25
Expamet ......fin	1.25	May 6	1.16	2.5	3.25
Fisons ......fin	1	Jul 1	5.4	4.3	8.7
Gibbs and Dandy ......fin	1.5♥	Apr 6	nil	2.5	nil
Hays ......int	1.95	May 31	1.7	-	5.3
Instem § ......fin	1.8	Jul 1	1.8	3.1	3.1
Kerry Group ......fin	1.69♣	-	1.47	2.6	2.26
Laporte ......fin	13.3	May 17	12.5	20.7	19.5
Linread ......fin	2.35	May 18	2.25	3.92	3.75
MR Data ......int	2.076	Apr 15	1.73	-	5.19
Pacer Systems § ......fin	3.5☆	June 15	3.5	6.5	6.5
Plantsbrook ......fin	2.3	Jul 1	2	3.4	3
Polypipe ......int	0.71	Apr 25	0.66	-	2.1
Sumit ......fin	2.3	May 30	nil	3	1.4
Suter ......fin	5.8	June 20	5.6	9.2	8.8
Thorntons ......int	1.45	Apr 29	1.25	-	3.65
USDC Inv ......fin	3.25	Apr 19	3.25	4.5	4.5
Wates City ......fin	nil	-	nil	nil	0.77
WPP ......fin	0.65	Jul 18	nil	1	nil

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♥Payable as second interim. ☆ cents throughout ♣Irish pence

Accountants investigate Cupid

Cupid, the beleaguered bridal wear manufacturer, is believed to have commissioned a firm of accountants to investigate events leading to this week's warning of substantial losses, writes Peggy Hollinger.

The group is also expected to announce the departure of Mr Richard Shaw, chief executive, who earlier this week was suspended temporarily from his duties.

Staff at Cupid's Lancashire offices said yesterday he had already left the company.

It is believed that Mr Shaw, who was on a 12-month rolling contract, will receive compensation of less than £100,000. He was brought into the group at the request of shareholders following a profits warning in February 1993. His brief was to lead Cupid through a series of acquisitions. However, this programme was never begun.

In January, the company announced interim losses of £456,000 and said it was not clear whether it would return to profitability for the year. On Monday, however, it became clear that the losses would be substantial after provisions needed to restructure the bridal business.

Cupid is not expected to replace Mr Shaw. It is understood that his responsibilities will be shared by Mr Stephen Riley, the finance director, and Mr Robert Devlin, managing director of the Pronuptia/Youngs business.

Ingredient for success pays off as Kerry achieves I£35m

By Tim Coone in Dublin

Strong growth in its food ingredients division, supported by a strong dollar, helped Kerry Group, the Irish food manufacturer, lift pre-tax profits by 22 per cent to I£35m (£34m) for the year ended December 31.

Turnover grew from I£827m to I£880m. Food ingredients now comprise 40 per cent of turnover, having grown by a fifth in 1993. The meat division contracted slightly while the dairy activities grew only modestly.

No divisional breakdown of profits was given but the company said margins had improved across the group.

The tax charge rose from 11.4 per cent to 17 per cent, reflecting the group's broader geographic spread – especially into the North American market.

Kerry now has six food ingredient plants in the US, two in Canada and, following an acquisition in December, one in Mexico. The latter is expected to boost group turnover by a further I£70m within the next two to three years.

Further acquisitions in this sector are being considered in both North and South America as well as in Europe.

Capital expenditure more than doubled during the year to I£41.7m, while a further I£17m was spent on acquisitions.

Borrowings increased by I£38m to I£142m, giving a gearing of 56 per cent.

Interest charges were cut to I£10.99m (I£13.89m) largely as a result of the group's placing of $155m (£106m) in loan notes with US investors last September at what were described as "historically low interest rates".

Earnings per share advanced to 18.5p (15.8p) and a final dividend of 1.69p makes a 2.6p (2.26p) total.

● **COMMENT**

The strategic expansion of Kerry's food ingredients division in the US, Canada and Mexico has been clearly justified given the increasingly significant contribution of these investments to the bottom line, even if the company is paying top prices for its acquisitions. What is not so clear is whether the group's earlier diversification into the intensely-competitive and low margin red meat processing business was as well considered or planned – although it has successfully built up a strong customer base through multiple retail outlets in the UK and Europe and seems prepared to operate at tighter margins than some of its main competitors. Continued growth will come through the food ingredients and convenience meats divisions and pre-tax profits of I£39m seem likely for 1994, giving earnings of 20p and a prospective p/e of 16.8. As the blue chip of Irish food stocks this looks sustainable, but don't expect it to outshine the market as much as it has in the past.

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COMPANY NEWS: UK

New group to supply 11% of Marks and Spencer's clothing

Claremont buys Magellan Inds

By Tim Burt

Claremont Garments, the clothing manufacturer, yesterday announced an agreed £43.3m takeover of Magellan Industries, the lingerie and swimwear company.

The takeover, bringing together two of Marks and Spencer's leading suppliers, follows production problems at Magellan, which yesterday reported increased pre-tax losses of £1.26m in the 12 months to December 31, compared with £511,000.

Mr Chris Ryder, Magellan chief executive, said the acquisition by Claremont was an attractive option after a year in which it failed to recruit enough workers or ensure adequate raw material supplies to complete orders for Marks and Spencer.

Under the all-paper offer, Claremont is issuing up to 12.8m new shares, some 23.9 per cent of the enlarged group, which are being offered to Magellan shareholders on a 0.4816-for-1 basis.

The offer has already been accepted by Magellan directors and family trusts associated with Mr Oliver Prenn, the chairman, which together control 36.1 per cent of the company.

Schroder Investment Management, Magellan's largest institutional shareholder, has also agreed to procure acceptances on behalf of investors holding a further 14.8 per cent.

Welcoming the undertakings, Mr Peter Wiegand, Claremont chairman, said: "The acquisition will strengthen our product range and our relationship with Marks and Spencer."

He claimed the group would supply up to 11 per cent of the retailer's total clothing stock, which in turn would account for 95 per cent of its business. Marks and Spencer welcomed the takeover and said it was happy with the terms.

Claremont, meanwhile, announced a 36 per cent increase in pre-tax profits to £11.5m (£8.5m) in the 12 months to December 25.

The improvement was spurred by full year contributions from two earlier acquisitions – J&J Fashions and Alexander Milnes – which helped operating profits increase by 32 per cent to £11.9m (£9m).

Turnover increased to £114.4m (£81.5m), while earnings per share came out at 19.1p (16.4p) or 18.2p (16.2p) on a fully diluted basis.

By comparison, turnover at Magellan in 1993 was flat at £36.9m (£35.5m). Losses per share of were 4.7p (2p) or 2.7p (0.2p) excluding exceptional items.

The group's results were hit not only by supply and staffing problems but also by a £496,000 exceptional charge following the collapse last August of Dunkeld, the shirt manufacturer. The charge arose out of losses on Dunkeld shares which Magellan received in part payment for Slix, its swimwear brand, sold in 1992 for £1.07m.

It plans an unchanged final dividend of 1.4p, while Claremont announced a proposed final pay-out of 4.5p (3.95p), making 8.1p for the year (7.25p).

Claremont is also acquiring Bellrise Fashions, the Next supplier for £1.9m cash, funded from bank reserves of £6.8m.

Its shares rose 5p to 358p. Magellan's closed down 1p at 172p.

Reorganisation costs hit MR-Data

By Paul Taylor

MR-Data Management, the data transcription and document image processing group, reported lower interim pre-tax profits reflecting one-off reorganisation costs, lower net interest income and development costs in its Memex software division.

In the six months to December 31 profits fell by 34 per cent to £2.66m (£4.02m) on turnover up 5 per cent to £19.6m (£18.8m).

Earnings per share declined to 3.21p (4.89p). However, the interim dividend is being raised by 20 per cent to 2.076p (1.73p) reflecting the group's strong balance sheet and cash position.

Mr John Redmond, chairman, said: "During the past months we have reorganised our business resulting in significant one-off costs which have been absorbed in the first half. Additionally profits have been affected by the on-going development costs at Memex.

"However, we are operating in high growth markets and, in particular, prospects for our software products and our laser printing and document scanning service bureau are extremely good. We therefore remain optimistic about the remainder of the year."

Operating profits slipped to £2.83m (£3.02m) mainly reflecting the development costs at Memex. The 1992 figure was boosted, following accounting rule changes, by the writing back of £651,000 of acquisition provisions. The 1993 figure was reduced by reorganisation costs of £382,000.

Mr Redmond said the redundancy and reorganisation costs in the document image processing division would result in annual savings of £710,000 and were necessary to reposition the business for growth.

In the core data transcription division the COM and laser printing bureau services both increased production volumes, turnover and profit. Margins in both businesses also improved.

Net interest receipts fell to £212,000 (£365,000) although the group ended the year with cash balances of £9.57m, up by £2.69m from June 30, partly reflecting the crystalisation of a £1.05m exchange gain.

Wates City disappoints with £0.1m

By Simon Davies

Wates City of London Properties, the development and investment group, disappointed the stock market yesterday despite increasing optimism on City office prices.

Even though the company announced a return to the black in the year ended December 31, with pre-tax profits of £113,000 against a loss of £74.9m (after write-downs of £71.9m on property valuations last time) the share price still fell 8½p to 87½p.

Disappointment focused on a further property provision of £2.7m in 1993, and on Wates' net asset value per share of 72.8p, an increase of only 0.4p.

However, 1993 was a turnround year for Wates, which entered the recession with 27 per cent gearing but saw it peak at 102 per cent due to slashed property valuations.

Last year, Wates substantially strengthened its balance sheet, through a rights issue and property disposals.

Total borrowings fell by 38 per cent to £56.2m, and gearing fell from 102 per cent to 50 per cent.

Wates is proceeding with the site formation for a 57,400 sq ft office and retail development in Queen's Street, although it is possible that the site could be sold.

It will also demolish Winchester House during 1994, to make way for a 300,000 sq ft office development. The project is 60 per cent owned by Friends Provident.

Wates is unable to renew a dividend payment, because of a substantial deficit on the company's profit and loss account.

There were reduced losses per share of 0.71p (59.26p).

Mr James Dundas Hamilton has announced his retirement as non-executive chairman. He will be replaced by Mr Paul Wates, the current chief executive.

Partco for market with £59m price tag

By Andrew Bolger

Partco Group, the biggest independent distributor of automotive parts and equipment in the UK, is raising about £20.7m through a placing and intermediaries offer at 200p per share – valuing the whole company at £59.2m.

The placing and offer comprises 14.58m ordinary shares – 11m of which are new ordinaries being issued by the company.

The remaining 3.58m shares are being sold by existing shareholders.

Partco, which was a management buy-out in 1988 from Quinton Hazell, trades from more than 200 branches in the UK and had sales of about £124m in 1993.

Pre-tax profits last year were £4.28m, from which pro-forma earnings on an actual tax basis were 13.2p a share. This gives an historic multiple of 15.2 times at the 200p offer price.

The notional net dividend for 1993 was 5.35p, giving a gross yield of 3.3 per cent.

The group is being advised by Hambro Magan, with Cazenove acting as brokers to the issue. The closing date for the intermediaries offer is March 15 and dealings are expected to begin on March 18.

● COMMENT

Improved distribution methods, long familiar in retailing and industry, are transforming the previously fragmented business of supplying automotive parts to garages. Last month Finelist, a smaller competitor to Partco, was floated successfully. Now investors are offered an opportunity to back the biggest group in the field, which has a national warehouse and sees scope for rapid expansion. With forecast earnings of about 11.9p per share in the current year, the shares are on a prospective multiple of 16.8, a discount to Finelist, and a prospective yield of 3.5 per cent – a premium to the smaller company. The pricing does not look aggressive and should leave the larger group plenty to go for.

Higher death rate helps Plantsbrook advance 33%

By David Blackwell

A significant rise in the fourth quarter death rate helped to boost 1993 pre-tax profits by almost 33 per cent at Plantsbrook Group, the funeral services group.

They rose from £9.05m to a record £12m. Total turnover rose from £49.8m to £52m, including a contribution of £900,000 from acquisitions.

Mr Peter Hindley, chief executive, said the overall rise of 4 per cent in the death rate for 1993 was to some extent owing to flu towards the end of the year. He expected the rate to fall back this year.

The result was also helped by a reduction in net interest payable from £1.96m to £586,000. This reflected lower rates; the repayment of £3.3m of fixed rate hire purchase debt; a reduction in total borrowings from £11.2m to £7m; and the benefit of a £2m private placing of 2.98m ordinary shares last June.

Earnings per share on a fully diluted basis rose from 7.03p to 7.77p. In addition to the June placing, 25.9m shares were issued in October and November following the conversion of the unlisted 1997 preference shares. There are now 106.5m ordinary shares in issue.

The group made five acquisitions in the year, paying £2.4m, and has opened seven new branches. So far this year it has acquired two more businesses for £4.2m cash.

Further acquisitions were likely, said Mr Hindley. The group was also looking at ways of returning to the crematorium market.

Dignity, the pre-paid funeral business had performed satisfactorily, said Mr Hindley, generating £1.5m of turnover. An autumn advertising campaign had resulted in a 42 per cent increase in sales in the second half.

Gearing at the end of the year was 28 per cent, compared with 54 per cent in 1992.

A final dividend of 2.3p (2p) is proposed, giving a total of 3.4p for the year (3p).

● COMMENT

While the unexpected rise in last year's mortality rate provided an unexpected boost to profits, the achievements of the present management in restoring Plantsbrook to a strongly cash generative business should not be overlooked. However, profits this year are likely to remain static unless the death rate is unexpectedly high. The group's 9 per cent market share of funerals looks mature. It is way behind market leader Great Southern in the pre-paid funeral business. Tough new environmental legislation on crematoriums could lead to local authority privatisation or operating contracts, but it would be expensive to build new ones. At yesterday's close of 109p and a prospective p/e of 13.5p the shares look a hold – but keep an eye on the deaths column.

Holders confirm QMH £2bn limit

By Maggie Urry

Shareholders of Queens Moat Houses, the hotel group in talks with its banks over refinancing its £1.3bn of debt, yesterday confirmed the group's borrowing limit of £2bn at two special meetings.

Some shareholders used the meeting to ask questions about indemnity insurance for the company's directors.

Mr Stanley Metcalfe refused to answer these questions saying they were outside the scope of the meeting, but said it was normal for large public companies to take out insurance covering directors against liability.

Mr John Bairstow, the group's former chairman, said later that when he was in charge at QMH the group's indemnity cover of £10m cost £34,000 a year.

The premium is now reputed to be £700,000. This would reflect the substantial change in the group's position with massive losses, the shares suspended, a department of trade and industry investigation proceeding and threats of litigation.

Mr Bairstow changed his vote at the meeting. In advance of the meeting he had voted his 8m shares against the resolution by proxy but in the poll taken at the meeting he voted in favour.

At the meetings Mr Stanley Metcalfe, chairman, said the group's results for 1993, which will incorporate a new valuation, should be completed by the end of April.

He said the restructuring talks were progressing, and the foundations for a reconstruction were being laid.

He said he was sorry it was taking so long but there were a number of complex issues involved.

He hoped that the shares, which were suspended in March last year, would be relisted as soon as shareholders approved the restructuring.

Clyde buys oil field stake for £12.7m

Clyde Petroleum, the exploration and production company, has agreed to buy Agip UK's 17.88 per cent interest in UKCS Block 16/27a (south) in the Andrew Field for £12.7m.

The consideration will be funded from Clyde's own resources and includes a reimbursement of £9m for Agip's past costs, which will qualify for tax relief.

Clyde's £30m share of development costs will be funded by a fully non-recourse financing underwritten by Chase Manhattan Bank.

HTR Jap Smaller

HTR Japanese Smaller Companies Trust, the Henderson Touche Remnant investment trust which came to the market last autumn, reported net assets per share of 100p on January 31 against 96.1p on the October 22 launch date.

Earnings per share were 0.2p. Total net assets stood at £100.2m and retained revenue at £263,000.

COMPANY NEWS: UK

Valves division disposal boosts Suter to £38.2m

By Andrew Bolger

A sharp fall in interest payments helped Suter, the industrial conglomerate, to increase 1993 profitability in spite of continuing tough trading conditions in its main markets.

Pre-tax profits increased from £15.2m, adjusted for FRS 3, to £38.2m, which included a £19.1m gain on the disposal of the group's industrial valves division for £36m last April. In 1992 there was a £1.1m exceptional charge relating to a provision against the value of an associate undertaking.

Stripping out exceptional items left pre-tax profits up by 17 per cent to £19.1m.

The disposal cut gearing from 70 per cent to 11 per cent and interest payments fell from £4.1m to £1.4m. In January, the group completed a sale and leaseback of an industrial estate in Staffordshire and eliminating borrowings.

Group sales fell to £186.9m (£196m) including £6.9m (£23.5m) from discontinued activities. Continuing businesses grew by 4 per cent to £180m, while trading profits, excluding the industrial valves division, rose by 20 per cent from £16.3m to £19.5m.

David Abell: sees gradual improvement continuing

In spite of competitive pressures on margins, the return on sales, excluding discontinued businesses, rose from 9.4 to 10.8 per cent.

Mr David Abell, chairman, said: "I expect to see a continuation of the overall gradual but uneven improvement we have experienced in 1993."

He added that no decision had been made regarding James Wilkes, the Sheffield engineer in which Suter recently raised its stake to 29.5 per cent. However, the chairman could not resist saying that the two groups offered "a fit as near perfect as you would get".

Suter announced a further bonus issue of warrants of one for every 10 ordinary shares held. Mr Abell said terms would be structured so as not to conflict with last year's warrant issue.

Earnings per share grew to 22.7p (8.7p) or 21p (8.6p) fully diluted. Stripping out the exceptional, earnings rose by 18 per cent to 11.5p (9.7p) or 11.3p (9.6p) fully diluted.

A recommended final dividend of 5.8p gives a total of 9.2p (8.8p), a rise of 4.5 per cent.

Brent Intl pay-out cut after fall to £7.14m

By David Wighton

Brent International, the troubled speciality chemicals group whose chief executive resigned in August, is cutting its dividend after pre-tax profits slumped from £11.5m to £7.14m in 1993.

Profits for the year to December 31 were struck after £289,000 of compensation to former chief executive Mr Steve Cuthbert, who had a two and a half year contract at a salary of £135,000.

Mr Keith Hutchings, the former finance director who has been acting chief executive since his departure, said the scale of compensation reflected the fact that Mr Cuthbert was over 50.

Exceptionals of £3.91m included £580,000 of costs relating to acquisitions which were aborted early in the year when the scale of the group's problems became clear.

Earnings per share dropped from 10p to just 3.2p. There was a reduced final of 2.4p (5.8p) leaving a total of 4p (7.4p).

The profit figure includes gains of £6.76m on the disposal of businesses.

Sales from continuing operations rose 5 per cent to £114m. Excluding exceptionals, operating profits in the continuing businesses fell from £9.3m to £6m.

The company said there had been some improvement in the UK and US but not in continental Europe which accounts for 43 per cent of sales.

However, Lord Lane of Horsell, chairman, said, "the lower cost base from which we now operate should enable us to make further progress in 1994."

Mr Hutchings was yesterday confirmed as chief executive, with Mr Bill Jessup, former finance director of Beauford, the struggling engineering group, replacing him as finance director. Lord Lane will retire next year and be succeeded as chairman by Mr Alec Daly, who joined the board a year ago.

The shares fell 15½p to 105p.

Thorntons surges 36% to £9.6m

By David Blackwell

Thorntons, the chocolate maker and retailer that has reorganised its lossmaking French businesses, reported pre-tax profits of £9.58m for the 28 weeks ended January 8.

"This is well above anything else we have reported before", said Mr John Thornton, chairman and chief executive, yesterday.

The 36 per cent rise from a previous £7.02m reflected the benefits from last year's French reorganisation, which helped push the group £4.8m into the red at the year-end.

Mr Thornton said the rationalisation was almost complete. The French business would be concentrated on 20 shops in Paris, with 20 outlets being closed.

At the operating level the loss from French operations was cut to £93,000 for the half, compared with £846,000 last time. "We are very confident about the future", said Mr Thornton.

Total group turnover from continuing operations rose by almost 10 per cent from £51.4m to £56.4m, not including £2.27m (£2.95m) from discontinued operations.

In the UK sales were boosted by a strong Christmas period, which accounts for 30 per cent of annual turnover. Like-for-like sales in Thorntons own shops were 4.1 per cent ahead.

Total UK sales, which include turnover from franchise outlets, chilled cabinets and "own label" sales to multiples, rose by 10.5 per cent to £54.2m.

The group opened 46 new outlets in the period, comprising 10 Thorntons shops, one *franchise and 35 chilled cabinets* sited in other shops.

Mr Thornton said the group had made general gains in the efficiency of its distribution system, cutting waste. Overall capital expenditure was £5m, down from £8.5m.

Earnings per share rose from 7.38p to 9.82p. The interim dividend has been raised to 1.45p (1.25p).

Trust launched to seek undervalued assets

By Bethan Hutton

Scottish Value Management is launching an investment trust which aims to seek out undervalued UK commercial and industrial companies.

The Undervalued Assets Trust is expected to raise £40m-£50m through a placing and offer for subscription.

Companies will be selected through value management techniques, analysing accounting data to find shares which stand at a significant discount to their real worth.

"The UK market is not an efficient one. Exaggerated market sentiment can colour perceptions of a company, clouding judgment on shares where there is value to be found," said Mr Colin McClean, managing director of Scottish Value Management, who set up the company in 1990 after managing funds for Scottish Provident, FS Assurance and Templeton.

The company already manages two listed investment trusts, both of which invest in other investment trusts. It also has an insurance fund, SVP Superior Growth, with an investment remit similar to the new trust. Launched in October 1991, it was among the top ten performing funds (out of more than 600) last year.

Undervalued Assets Trust is issuing only ordinary shares, breaking the current investment trust trend for all trusts, except those with a split capital structure, to attach warrants to their ordinary shares.

The placing is due to close on March 31, and the public offer will run from April 6 to April 20.

NEWS DIGEST

Sunleigh breaks even second half

Sunleigh, the USM-quoted leisure products concern, broke even in the second half of 1993 leaving annual pre-tax profits at £208,000, against losses of £557,000.

The result was after taking a charge of £397,000 for the loss on sale of discontinued activities, offset by a £250,000 release of provisions. The previous year there was a net release of provisions of £71,000.

Turnover for the year was £15.7m (£12.9m) of which £263,000 (£1.21m) related to discontinued activities. Earnings per share were 0.05p (losses 0.86p).

Instem

Improved performance and the completion of several large contracts during the year helped Instem, the USM-quoted information systems group, lift pre-tax profits for the year to December 31 to £1.02m.

This compares with £575,000 last time, when the figure was hit by an exceptional £386,000 for bad debts.

Turnover was up from £14.3m to £19.3m and earnings per share came out ahead at 14.8p (8.5p).

A same-again final of 1.8p is recommended, to give a total maintained at 3.1p.

Pacer Systems

Pacer Systems, the US-based electronics group traded on the USM, increased turnover from £27.6m to £30.2m (£20.6m) for 1993 but suffered a fall in pre-tax profits from £531,000 to £357,000 (£244,520).

Earnings per share were 4 cents compared with 6 cents while the dividend is unchanged at 6.5 cents with a same-again final of 3.5 cents.

USDC

USDC Investment Trust, managed by GT Management, lifted net asset value by 30 per cent to 281.5p over the 1993 year, outperforming the gain of 22.6 per cent achieved by the FT-A World Index.

The dividend is maintained at 4.5p with a final of 3.25p, paid from net revenue lower at £1.72m (£2.05m). Earnings per share were 4.69p (5.59p).

Sumit

Fully-diluted net asset value per ordinary share of Sumit, the development and venture capital investment trust, stood at 154p at the December 31 year end. That compared with 103p at the half year stage and 95p 12 months earlier.

The announcement yesterday of a proposed placing by Partico at 200p per share will increase Sumit's fully-diluted figure to 188p. At the placing price the trust's interest in Partico, including its holding of redeemable preference shares, will be valued at £6.5m - a gain of £3m over its December 1993 valuation.

Sumit has indicated its intention to sell a third of its holding in Partico's ordinary equity at the placing price which will realise £1.7m.

Available revenue for 1993 improved from £161,000 to £303,000, for earnings of 4.2p (2.2p). A final dividend of 2.3p, compared with a 1.3p forecast, makes a 3p (1.4p) total.

COMPANY NEWS: UK

Diversification helps Polypipe advance 16%

By Paul Taylor

Polypipe, the Doncaster-based manufacturer of industrial and commercial plastic pipes and fittings and other domestic plastic products, yesterday reported a 16 per cent increase in interim pre-tax profits from £6.4m to £7.45m.

The profit improvement came on turnover which grew by 23.6 per cent to £60.8m (£49.2m) in the six months to December 31 including a full 6-month contribution from Allerton Glass which was acquired last May and merged with GCA Windows.

Earnings per share advanced by 15 per cent to 3.2p (2.78p) and the interim dividend is being raised by 7.6 per cent to 0.71p (0.66p).

Polypipe's shares closed 2p higher at 175p.

Mr Kevin McDonald, chairman, said the results reflected "the continuing strength of both the group and its operations and the continuation of our strategy of expanding wherever possible each of our businesses, investing in plant and tooling and extensive product development."

Kevin McDonald: results reflected product development

The latest figures also highlight the success of the group's diversification since 1990 into non-core products by broadening its operating base while remaining in the fields of plastics extrusion and moulding.

Sales of the group's other domestic plastic products, which now include bathroom fixtures, windows and garden furniture, advanced by 35 per cent to £28.2m (£20.9m) while operating profits from these activities grew by more than 50 per cent, from £1.26m to £1.91m.

Overall operating profits increased by 14 per cent to £7.48m (£6.54m) despite relatively large increases in the purchase price of PVC which affect Polypipe's sales of above and below ground drainage systems.

PVC prices have increased by 17 per cent since January last year. Since then Polypipe has increased its product prices twice. Mr Bryan Stock, finance director, said the higher PVC prices trimmed pipe margins in the first half by between 1.7 and 1.8 percentage points but added that margins should be mostly restored in the second half.

Net interest costs fell to £29,000 (£132,000) and the group again ended the period with net cash and nil gearing. Capital expenditure in the first half totalled £7.69m (£4.96m.)

Expamet just in the black with £17,000

By Simon Davies

Expamet International, the building, industrial and security components group, yesterday announced pre-tax profits of £17,000 for 1993, compared with a 1992 loss of £20.6m, restated for FRS 3.

The company has completed an aggressive restructuring programme, and the 1993 figures included a £2.1m write-off for redundancy costs, and £1.5m losses from the sale or closure of businesses.

Expamet said the redundancy programme would achieve overall cost savings of £3m in 1994.

Despite the impact of provisions on shareholders' funds, gearing fell from 125 per cent to 89 per cent, with borrowings cut from £17.6m to £11.2m.

The share price reacted favourably to the announcement, rising 8p to 77p.

Turnover fell to £126.9m, compared with £139m, but there was a marginal increase in sales from continuing businesses in all three of its main sectors.

The building and industrial businesses suffered from the performance of subsidiaries in continental Europe, because of the effects of deepening recession last year. Both sectors showed marginal declines in operating profit.

The security sector, however, achieved a 47 per cent increase in profit to £2.5m, helped by increasing export sales and a stronger domestic market.

Mr John Roberts, chairman, said the first two months of 1994 had been encouraging. He added that the cost base of the group has been cut so that all the operating businesses can be profitable, "irrespective of market conditions", he said.

The company announced a final dividend of 1.25p, making a total of 2.5p, down from 3.25p.

The company said it planned to return to consistently higher levels of dividends.

Losses per share were much lower at 0.75p (32.48p).

McDonnell Information joins market worth £260m

By Alan Cane

McDonnell Information Systems is coming to the market through a placing and public offering at 260p a share, valuing the Hemel Hempstead-based computing services company at £260m.

Some 73.1 shares are being issued of which 42.5m are new shares with the balance being sold by existing shareholders. Some 35 per cent of the offer, which closes on March 17, are available to the public. Dealings commence on March 24.

The flotation will raise £110m of new equity and £80m for existing shareholders. The net proceeds, £107.4m, will be used to repay debt and redeem preference shares.

MDIS management bought the company from McDonnell Douglas of the US for £121m last year. Mr Jeremy Causley, chief executive said he would not be selling his shares. After the flotation management will hold 7.6 per cent of the equity.

There has been significant interest in the MDIS flotation, one of the largest this year and the single biggest in the information technology field. Some 12,000 requests from individuals for details and copies of the pathfinder prospectus had been received, the company said.

The placing and offer has been fully underwritten by Baring Brothers, which is sponsor to the issue.

● **COMMENT**

MDIS is a mature company with revenues of almost £150m and a record of management competence. Operating profits as a percentage of turnover have risen from 10 to 15 per cent in the past three years despite the recession. The company specialises in areas such as central and local government, the emergency services and the health sector which will show sound, if not outstanding, growth. As a public company, it could reasonably hope for more success in bidding for larger contracts. The offer price suggests a p/e of 18.2 which is fractionally higher than the sectoral average. Notional gross dividend yield at the offer price is 3 per cent. The shares seem fairly priced and should prove a core holding for computing services *aficionados*.

Linread 23% up despite exceptional

By Paul Cheeseright, Midlands Correspondent

Linread, the Midlands-based fasteners and precision components group, brought forward the announcement of its annual results to announce a 23 per cent rise in pre-tax profits and an increased dividend.

This follows a warning last December that exceptional charges in the second half would be double those of the first, indicating a total for the year of about £800,000 to pay for restructuring.

However, by bringing forward restructuring plans for this year the exceptional charge was higher at £1.1m (£743,000). But this still left pre-tax profits for the 12 months to December 31 at £857,000, against £697,000 restated for FRS 3 and to reflect changes in the accounting policy for a leasehold property.

Earnings per share were 3.88p against a restated 2.21p. The proposed final dividend is lifted to 2.35p (2.25p) making a total of 3.92p (3.75p).

Turnover was lower at £36.4m (£37.8m) while operating profits fell from £1.49m to £1.08m. The pre-tax advance reflected a sharp reduction in interest payable to £225,000 (£794,000).

This fall came because of tighter stock controls related to the greater efficiency of the group's manufacturing techniques. Gearing was cut from 50.1 per cent to 28.4 per cent.

The tax charge, at £384,000 (£428,000), was again "abnormally high".

The group has now finished its immediate restructuring programme and expects to benefit quickly from any upturn in its main automotive and aerospace markets. "In certain sectors we anticipate increasing our market share, particularly in North America," Mr Peter Tahany, the chairman, said.

The shares rose 18p to 134p.

Battle for Barrhead in unusual twist

By Nigel Clark

The battle for Barrhead Sanitary Ware, the Scottish workers co-operative, took an unusual turn when one class of shareholder failed to achieve the necessary threshold to approve one of the offers for the bathroom products group.

It is thought there may be a danger that the other offer may also fail to meet the threshold set down in Barrhead's articles, leaving the company in danger of going into receivership.

An extraordinary general meeting was called to consider the offer from Baxi Partnership, an employee-owned heating engineering company based in Preston, Lancashire.

The meetings of the ordinary voting and preference shareholders agreed unanimously to let the Baxi offer proceed but the ordinary non-voting received the support of only 61 per cent against a threshold of 75 per cent.

The votes came despite the Barrhead board switching their support from Baxi to Shires, a Bradford-based bathroom products group. The board now fears this offer may not proceed under the present articles.

If both offers fail Baxi has offered to make a secured loan of £450,000 available to keep the company going and has proposals for strengthening the Barrhead board. In the event of reaching agreement on the Baxi proposals the Barrhead board intends simplifying its constitution.

Barrhead was formed in April 1992 by former workers of Armitage Shanks following the closure of its works at Barrhead near Paisley.

FT-SE committee refuses to change Inchcape classification

The FT-SE Actuaries Industry Classification Committee has again turned down a plea by Inchcape to move its shares from the vehicle distributors sector to diversified industries, writes Maggie Urry.

The committee met on Monday, March 7, to discuss quarterly changes to the constituents of sectors which will take effect on April 1. The new system came into operation at the start of this year.

Inchcape said the committee's decision was "a great disappointment". It has repeatedly argued that although 60 per cent of its 1992 profits derived from "motors importing, distribution and retailing", only 14 per cent came from the retail side.

Inchcape said it made a further submission to the committee arguing that factors which affect UK motor retailers were different to those which bear on Inchcape's activities.

The group is planning to alter the split of profits disclosed when it publishes 1993 results on March 28. It will divide the motor retail profits from the importing and distribution activity.

NEW FT-SE ACTUARIES INDICES CLASSIFICATIONS

Company	Current Sub-sector	Moves to Sub-sector
Abacus	Electronic Equipment	Dist of Ind Comp & Equip
Baring Sec Emerging Markets Tracker Fund	Investment Trusts	Offshore invest funds
Peter Black Holdings	Footwear & Leather	Household Requisites
Boustead	Distributors, Other	Vehicle comp & assemblers
BZW Endowment Fund	Investment Trust	Financial, Other
Cassidy Brothers	Gift & Costume Jewellery	Leisure
Caverdale Group	Vehicle Comp & Assemblers	Dist of Ind Comp & Equip
Coastal Corporation	Oil Exp & Production	Oil, Integrated
Comac	Business Supp Services	Computer Services
Ebief	Gift & Costume Jewellery	Furniture & Furnishings
Engelhard	Other Servs & Business	Chemicals, Speciality
Ex-Lands	Leisure	Property
Farringford	Food Manufacturers	Hotels & Caterers
Flagstone Holdings	Property	Leisure
Gold Fields Property	Gold Mining	Property*
Ernest Green & Ptnrs	Building & Construction	Property Agencies
Philip Harris	Eng, Instr, Tools, Mech Hdlg	Distributors, Other
Hartons Group	Chem, Materials Tech	Distributors, Other
Headway	Chem, Materials Tech	Other Businesses
India Fund	Investment Companies	Offshore Inv Comp & Funds
IS Himalayan Fund	Investment Trusts	Offshore Inv Comp & Funds
Jersey Phoenix Trust	Investment Companies	Offshore Inv Comp & Funds
Linx	Engineering, Diversified	Electronic Equipment
Kitty Little	Household Requisites	Health Care
Korea China Super Fund	Investment Trusts	Offshore Inv Comp & Funds
Mauritius Fund	Investment Trusts	Offshore Inv Comp & Funds
Nrth Amrcn Gas Inv Tst	Financial, Other	Investment Trusts
Office & Elect Machine	Retailers, Chain Stores	Property
Oriflame	Household Requisites	Retailers, Chain Stores
Plasmec	Chem, Materials Tech	Electrical Equipment
Premier Land	Othr Min Extract & Mines	Property
Regent Corporation	Paper & Packaging	Building & Construction
Scapa Group	Other Businesses	Chem, Materials Tech
William Sinclair	Other Businesses	Leisure
Torday & Carlisle	Dist of Ind Comp & Equip	Engineering, Specialities
Vogelstruisbult Metal	Gold Mining	Mining Finance
WSP Group	Business Supp Services	Property Agencies
Whitecroft	Electrical Equipment	Diversified Industrial
Wilshaw	Building Materials	Dist of Ind Comp & Equip

*Will be shown in the London Share Service under South Africans

COMMODITIES AND AGRICULTURE

Aluminium cuts spread to Mideast

Aluminium Bahrain, the Gulf's largest aluminium producer, announced yesterday that it was cutting annual output by 20,000 tonnes a year to help support the market, reports Reuter from Manama.

Further reductions would depend to a large extent on a concerted approach by the entire aluminium-producing community, it added.

"Several discussions have taken place among the Middle East smelters on ways of supporting the present international drive to re-establish balance between supply and demand in the primary aluminium market," according to a company statement. "Following these discussions, Aluminium Bahrain has decided to reduce production by 20,000 metric tonnes per annum."

Alba produced a record 450,000 tonnes last year, after doubling its capacity in 1992.

Western producers have announced output cuts totalling about 850,000 tonnes since agreeing the multinational plan in January, and prices have risen by 8.5 per cent. But analysts have suggested that it will be difficult to reach the cuts target of between 1.5m and 2m tonnes a year without the participation of producers not represented at the January talks, which include those in the *Middle East*.

Oil slides as Opec hopes fade

By Robert Corzine

Oil prices in London and New York slipped below psychological support levels yesterday as traders saw little scope for any decisive action from this month's meeting of the Organisation of Petroleum Exporting Countries.

In London the benchmark Brent Blend for April fell below the $13 a barrel barrier to $12.99, just 9 cents above the five-year low of $12.90 reached last month. It later recovered in late trading to about $13.05. In New York the Nymex price for April crude fell at one point in early trading below $14 a barrel.

A rollover of the present Opec production quota of 24.52m barrels a day was "... written into the price", according to Mr Lindsay Horne, a trader at the London branch of Lehman Brothers, the US investment bank.

He said it was "intuitively wrong for the market to go into an Opec meeting below *$13 a barrel, but the price* could spike down to around $12 ahead of the meeting".

The market perception that *Opec would simply roll over* its present quota into the second quarter of the year was reinforced yesterday by news *agency reports suggesting that* Iran was worried that any Opec production cuts would be offset by sharply rising pro*duction from independent pro*ducers, such as the UK and Norway.

Canada's Cambior wins Peru copper concession

By Sally Bowen in Lima

Cambior of Montreal has won the concession to develop the *Peruvian copper deposits* known as La Granja, in the northern department of Cajamarca.

*It outbid three other Cana*dian companies – Cominco, Teck and Placer Dome – as well as Cyprus Minerals of the *US at public auction in Lima* on Monday. Cambior will invest $25m over a maximum of five years, with an addi*tional payment of $1m a year* for the exploration option. It also offered the Peruvian state *a 5 per cent royalty on all* future sales.

La Granja has mineral reserves of around 320m *tonnes, averaging 0.78 per cent* copper and four grammes of silver a tonne. If feasibility studies prove positive Cambior *could invest $450m in an initial* leaching operation to produce copper cathodes. A concentrator plant would follow.

Mr Raul Otero, president of Mineroperu, the state company that owns the deposit, said anticipated sales could top *$300m a year. That would* mean $15m a year in royalty payments.

Market economy bears fruit in Budapest

A wholesale revolution has brought an array of exotic produce, writes Alison Maitland

Budapest's wholesale market, on the outskirts of the Hungarian capital, offers a fine example of the remnants of the old eastern bloc sampling the fruits of the market economy.

A steady stream of battered Lada cars processes through the damp spring morning past stalls brimming with imported oranges, grapefruits and kiwi fruit. The drivers – grocers and traders from the city – pause to see who is offering the keenest price before chugging on.

The market, which provides 90 per cent of Budapest's fresh fruit and vegetables, is a pioneer in the reconstruction of eastern Europe's troubled agricultural sector, being the largest in the region and the first organised along western lines.

Mr Gabor Demszky, the mayor of *Budapest, was in* London yesterday to sign a $6.7m (Ecu5.9m) loan agreement with the European Bank *for Reconstruction and Development* to help provide the market with a cold store, bigger parking and service areas and facilities for ripening bananas.

Thanks to the market, bananas have become an everyday fruit in Budapest, says Ms Anne Bosche-Lenoir, the EBRD's project manager in Hungary. But the problem is that "the bananas are already yellow when they arrive, so the value is being added somewhere else".

The bank sees competitive wholesale markets as the key to reducing distribution costs, creating efficient pricing and breaking the stranglehold of Mafia-style operators on traditional east European production and distribution networks.

It has received requests from Albania to Alma Ata for help *in setting up markets*. But progress has generally been slow. Attempts failed in Moscow and St Petersburg *because of problems over land* reform and resistance from organised criminals.

Budapest was different. The city authorities had set up the market themselves in 1991. They created a company to operate it, with shareholders including a leading Hungarian savings bank, an agricultural co-operative, whose land was taken over for the market, and several small companies, as well as the municipality.

Within a year of opening, it had become severely congested. About 95,000 farmers, anxious to break with the discredited co-operative distribution system and sell their produce direct, descended on the market in the first summer, queuing for up to three hours to get in. Annual turnover rose to 350,000 tonnes, five times that of the old wholesale *operations in the city centre*, and the market found itself handling half the country's fruit and vegetable imports.

The EBRD, drawing on wholesale systems in France, Italy and the Netherlands, stepped in to provide advice on reorganising operations. This included setting up television screens to track prices and introducing a proper accounting system. Then it agreed to fund part of the $26.4m extension, allowing the city rather than the government to guarantee a loan for the first time.

"Without our money, they wouldn't have been able to finance this infrastructure," says Ms Bosche-Lenoir. "There's no long-term finance available in Hungary." To minimise the company's borrowing costs, wholesalers are being asked to pay a lump sum for *leasing rights* before construction begins in May.

The market has been a blessing for Mr Gabor Czeizler, *managing director of Wienimpex*, a wholesale operation distributing greenhouse produce from south-east Hungary. *He has seen his annual turnover* nearly double since he moved out from the city centre. "This place is reachable from all directions," he says. "There's a very good network of roads."

Mr Lajos Juhasz, who works on a stall in the covered part of the market, is glad of its existence too. He used to be deputy manager of a butcher's shop, but the state meat company that owned it went bankrupt and he was out of *a job*. "The money is better but the hours are very long," he says. The market has also spawned rivals in other cities, *which has* made the competition tougher.

For the people of Budapest, the increased availability not *only of exotic fruits* but also of peppers, one of Hungary's most typical vegetables, is welcome. "Now we can buy tomatoes *and peppers* in the winter," one woman explained. "They come from Holland, but they don't have the flavour of our *own Hungarian peppers*."

India prepares ground for flower sales drive

Kunal Bose reports on plans for a dramatic expansion in production and exports

India has served notice that it intends to join the ranks of the major flower produc*ing countries in the next few* years. Encouraged by the federal government's decision to make floriculture a priority *area for development, a large* number of established business houses and new entrepreneurs have decided to grow flowers *on a commercial scale for the* export market.

"Like so many other tropical countries, India should have *taken the initiative to grow* flowers scientifically on a commercial scale a long time ago," says one industry official. "*After all India has plenty of* land, water and sun to grow a large variety of flowers. But we should be able to make up for *the lost time.*" The liberalisation of the import of technology and mother stock plants will make it possible for India to grow flowers for the world market, he says.

The Agricultural and Pro*cessed Food Product Export* Development Authority has estimated that of the nearly 34,000 hectares of land under *floriculture, only about 10,000* hectares are used to produce cut flowers. Experts believe that it should be possible to *commit as much as 500,000* hectares to floriculture in the next few years. By amending the land ceiling act, which *allows corporations to acquire* large tracts of land for horticulture, the government of Maharashtra has set the trend *for the other Indian states.*

World trade in flowers, estimated at over $25bn, is growing at a highly encouraging rate of 11 per cent a year. This has enabled countries like Colombia, Guatemala, Brazil, Kenya, Thailand and Malaysia to expand quickly the production base for flowers. In contrast, India's exports of cut *flowers, foliage and tissue cul*ture plants amounted to a meagre Rs130m (£2.75m) last year.

But in view of the strong *interest of the Indian corpora*tions in floriculture, it is now felt that the flower export target of Rs1bn for 1996-97 "is too *conservative*".

The locations identified for the development of *intensive floriculture* are Pune and Nashik in Maharashtra, Bangalore in Karnataka, Thiruvananthapuram in *Kerala, Kalimpong in West* Bengal and Shrinagar in Jammu and Kashmir. But except for Pune and Nashik – which are close to the Bombay airport, where APEDA has built cold storage facilities for flowers – the centres identified do not as yet offer "good international air connections", industry officials point out.

The government, which has given a 25 per cent air freight subsidy on flowers is talking to several foreign airlines about *securing adequate cargo space* for flowers. It also has agreed to create the necessary infrastructure at the major airports *in the country for storing and* handling flowers.

The Indian companies entering the flower business have *chosen Europe, south-east Asia* and the Far East as their "principal target markets". The US is the single largest market for *flowers but "India is not target*ting it because of the distance".

"The most productive flower growing period in India is September to March. This coincides with the peak seasonal demand for flowers in Europe, when little is grown locally. We want to make the best use of this season," say the industry officials, who at the same time admitted of their many handicaps. "Our knowledge of constructing ideal greenhouses *is limited. We lack good plant* materials.

"Without foreign technical know-how, we will not be able *to produce flowers for the* world market. And our knowledge of flower marketing is practically nil."

*But the liberal import of flo*riculture and tissue culture technologies, greenhouses, mother stock plants and seeds *are enabling the Indian compa*nies to make a confident start in flower business. As for marketing, most Indian companies *are seeking the assistance of* Dutch companies to ensure that their flowers realise good prices at the auction.

MARKET REPORT

Gold steadies after touching 3-month low

The GOLD price steadied after sliding overnight on Japan's announcement that it was *planning to sell about 90* tonnes of melted-down surplus gold coins. In London the price hit a three-month low of $375.45 a troy ounce at the morning fixing before ending at $376, down $1.60 on the day.

At the London Metal Exchange COPPER was generally steadier but seemed content to trade within a fairly *static $1,900-$1,920 a tonne* range for three months delivery.

London Commodity Exchange *May COCOA* futures closed $12 up in London up at $930 a tonne and traders thought fresh buying might be triggered if it broke above $937.

Compiled from Reuter

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+7,125	to 2,587,525
Aluminium alloy	-580	to 46,060
Copper	+1,575	to 548,450
Lead	+825	to 331,325
Nickel	+96	to 134,004
Zinc	+2,400	to 1,068,550
Tin	+30	to 22,475

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1258-9	1281-2
[illegible]	[illegible]	[illegible]

■ ALUMINIUM ALLOY ($ per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol.
Mar	376.7	+0.8	-	-	-	-
Apr	377.7	+0.8	377.9	376.0	70,143	10,980
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	102.40	+0.85	102.40	101.95	120	109
May	104.15	+0.80	104.15	103.50	1,972	384
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Minor Metals

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	914	+15	915	911	628	146
May	931	+13	933	924	23,495	2,971
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 4/9/56=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Apr	76.750	-0.150	77.050	76.725	36,606	7,338
Jun	75.100	-0.125	75.225	74.900	22,430	4,332
Aug	73.300	-0.075	73.375	73.175	12,061	2,314
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

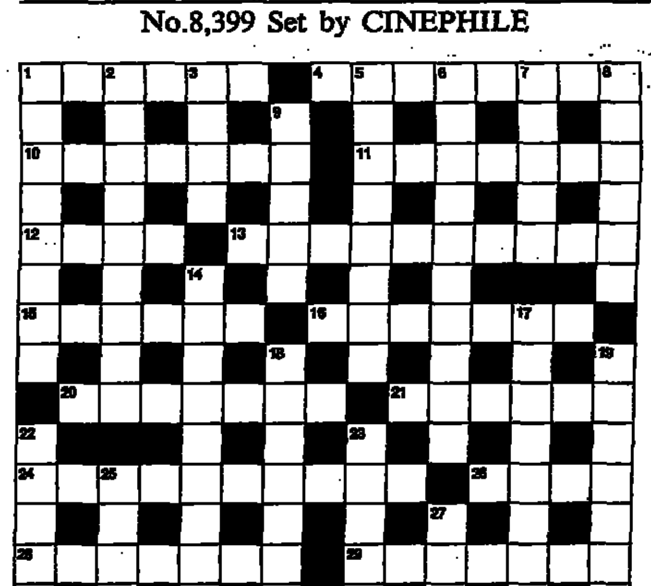
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

[illegible]

CROSSWORD

No.8,399 Set by CINEPHILE



20, 22-25, 15, 3, 21, 26, 27, 8, 5, 7-23, 9 and 12, if taken as a group, are spelt wrong

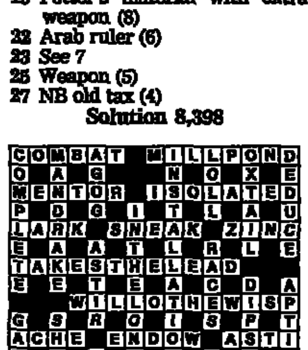
ACROSS

1 Cure for piping without number (6)
4 Journal out of joint to *Hamlet* (3,5)
10 Strong dislike of Scottish athlete losing head (7)
11 Exploit classy headgear *one's* in (7)
12 Colours (4)
13 Meet loco and he will make us abandon mutiny (4,2,4)
15 A month down on the Thames (6)
16 A month turned a run into a flier (7)
20 *Herbert Stanley Perceval* (7)
21 Wonder (6)
24 Melodramatic man's 3's not quite nice (10)
26 Colour (4)
28 Diamonds, at least eight, from the freezer? (3,4)
29 See transport number for Swiss resort (7)
30 They ride out what comes in genes (8)
31 Principal fixer (6)

DOWN

1 Residence for various others and myself (4-4)
2 Computer operator gets gin and cheese (9)
3 *Cooked or cheated* (4)
5 Junior doctor (8)
6 Cooked currant with oil, having a third eye? (10)
7, 23 Where Indian corn grows (5,5)
8 Testaceous (6)
9 Bear stream (5)
14 Enter soil for circulation (5,5)
17 Green, between half and three-quarters ripe, going on Thames barge? (5,4)
18 Strongly suggestive of payment for home without benefit (8)
19 Potter's material with extra weapon (8)
22 Arab ruler (6)
23 *See 7*
25 Weapon (5)
27 NB old tax (4)

Solution 8,398



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LONDON STOCK EXCHANGE

MARKET REPORT

Bond falls hit share prices towards the close

By Terry Byland,
UK Stock Market Editor

Leading stocks stumbled badly at the close of trading yesterday as bond markets fell sharply and rumours circulated that a large rights issue was overhanging equities. The FT-SE 100 Index, which had been moving nervously all day, extended an earlier loss to close 41.5 down at 3,264.4.

Hints of a big fund-raising surfaced in the stock market early, and market analysts identified several possible names among leading companies due to report profits this week. BAT Industries, weak yesterday, and Cadbury-Schweppes both featured prominently in the list.

A deeper reason for the late setback in equities was a sell-off in gilt-edged securities, the second of the session. Uncertainty in bonds across Europe reflected uncertainty ahead of the outcome today of the Bundesbank's variable rate tender, which has turned attention once again to interest rate prospects.

Strategists noted that bond markets were again exercising the power over stock markets which lay behind the shakeout of the past two weeks. But they said it was too early to say whether the equity rally of the two previous sessions had been seriously challenged.

Shares opened higher but were quickly tripped up as derivatives markets turned off when transatlantic houses sold futures instruments. The first bout of selling in bonds then hit, driving the Footsie down by more than 23 points. Selling was modest and shares soon steadied as losses in gilts were reduced.

Account Dealing Dates

*First Dealings:	Feb 28	Mar 14	Mar 28
Option Declarations:	Mar 10	Mar 24	Apr 7
Last Dealings:	Mar 11	Mar 25	Apr 8
Account Day:	Mar 21	Apr 5	Apr 18

*New time dealings may take place from two business days earlier.

UK economic data, showing an unexpected jump in manufacturing output in January, and thus leaning against the likelihood of an early cut in base rates, was a discouraging factor. However, traders said that the stock market was content to take its cue from bond prices.

The final setback came very quickly and caused some analysts to suggest that market confidence was "surprisingly weak". There was little time for selling to spread across the range and the FT-SE Mid 250 Index finished only 14.6 down at 3,923.1.

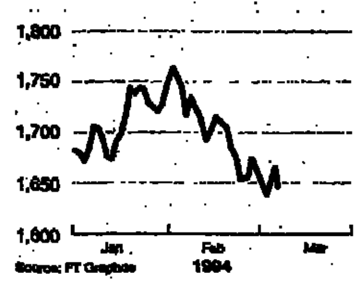
The FT-SE 100 Index was hit by weakness among the pharmaceutical stocks, which still command a strong following among fund managers. There was also weakness in the utility sectors, which had proved resilient during recent weakness in equities. Property stocks, too, took heavy casualties after a progress report from a leading City of London group cast a cloud over the supposed recovery in the commercial sector.

Seaq volume increased to 676.2m shares from Monday's 576.3m, which returned a retail business worth of £1.25bn, at the lower end of average daily figures. Traders stressed that there was significant selling pressure yesterday and questioned whether the stock market was yet able to free itself from the pressure exerted by bond markets across Europe.

The equity market is expected to face a test of its attempted recovery today, when the outcome of the Bundesbank money market repo tender may give a hint on the near term trend of interest rates in Europe.

A batch of results from leading British companies will also underline the latest trends in dividends. Equities outperformed against government bonds during the recent sell-off with the help of improved dividend payments from the banking sector. This improvement in returns to equity investors is expected to continue if the recovery in the UK economy takes hold.

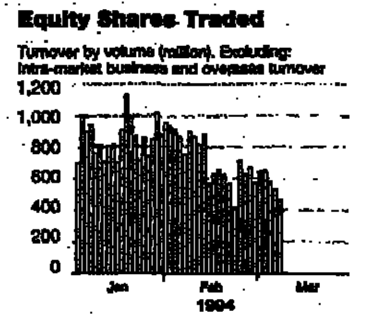
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3264.4	-41.5
FT-SE Mid 250	3923.1	-14.6
FT-SE-A 350	1656.4	-17.6
FT-SE-A All-Share	1648.20	-16.35
FT-SE-A All-Share yield	3.48	(3.45)
FT Ordinary index	2569.0	-25.4
FT-SE-A Non Fins p/e	22.11	(22.33)
FT-SE 100 Fut Mar	3249.0	-46.0
10 yr Gilt yield	7.04	(6.94)
Long gilt/equity yld ratio:	2.14	(2.14)

Best performing sectors

1	Other Financial	+0.7
2	Water	+0.6
3	Printing, Paper, Pckg	+0.3
4	FT-SE SmallCap ex IT	-0.1
5	FT-SE SmallCap	-0.1

Worst performing sectors

1	Tobacco	-4.8
2	Property	-2.3
3	Oil Exploration & Prod	-2.3
4	Gas Distribution	-2.1
5	Pharmaceuticals	-1.8

Cash call concerns hit BAT

Rumours of a record-breaking rights issue settled on BAT Industries, the tobacco and insurance conglomerate. Many analysts were sceptical but BAT's share price tumbled 23 to 470p on heavy turnover of 8.6m ahead of figures due today.

The speculation was that Compagnie de Suez would sell its Groupe Victoire insurance arm. BAT refused to comment publicly but was believed to have refuted the story to City analysts, while Suez denied that it was selling its stake.

One analyst said the speculation had a "superficial charm" because BAT was known to be trying to extend its financial services operations in continental Europe. However, it was also pointed out that BAT had not made a paper-funded acquisition for 20 years.

Some cynical marketmakers felt predictions that BAT planned a two-for-nine cash call to raise £2.6bn had an over-precise ring. If true, it would be twice the size of the existing rights issue record of £1.3bn set up by Zeneca in June last year. Others argued that the market rarely reacts without a reason, and that rumours of a link had been building for some time.

Another market favourite for a possible equity fund-raising was Cadbury Schweppes, which also reports results today. The company would need in excess of £1bn to mount a bid for Dr Pepper, of the US. The Cadbury share price was steady at 494p.

Boddington busy

In a busy drinks sector, Boddington attracted speculative interest on talk that Whitbread may be considering a hostile bid for the pub retailing group. Such a move would cost Whitbread in the region of £440m.

Whitbread already owns around 20 per cent of Boddington, inherited from last year's share restructuring with the Whitbread Investment Trust, and under the government's regulations it must reduce its holding or make a bid.

Analysts were divided over the speculation, some arguing that Boddington's portfolio of public houses, hotels and nursing homes would not fit with Whitbread's business. Boddington shot forward 18 on the talk, closing at 294p.

However, Whitbread, together with some other brewing stocks, retreated in line with the market and also on a cautious note from NatWest Securities. The broker argued that the weak earnings growth potential of the sector pointed to short-term underperformance. Whitbread slid 10½ to 550½p, Scottish & Newcastle 10 to 549p and Allied-Lyons also 10 to 625p.

Waters in demand

Water issues held up well as Credit Lyonnais Laing highlighted their attractions. Analyst Mr Robert Giles said that on Monday afternoon the water shares had moved to a yield relative of 150, a level not seen since the general election.

He also pointed out that index-linked gilts, which the utilities tend to track, had picked up. Mr Giles pinpointed Yorkshire, 11 higher at 536p after 547p, Severn Trent, unchanged at 556p after 572p, and Anglian 11 firmer at 515p, as his prime selections.

Property shares wilted in the weak market, undermined further by disappointing December-end results from Wates City of London Properties.

Analysts said the slight increase in the net asset value to 72.8p was well below market expectations of between 75p and 105p, although this was tempered by the fact that much of the upward valuations in properties have been in January and February.

Mr Graham Stanley at Goldman Sachs said: "The recent shake-out among property stocks has highlighted some areas of value for investors. But with the uncertainties in the bond market, we remain cautious in the short term."

Among the leading stocks British Land fell 21 to 414p, MEPC 17 to 488p and Land Securities 17 to 703p.

A trade press report that Air France might listen to offers for its Meridien hotel chain prompted speculation in the market that Forte may be one interested party. The UK group, still smarting from its recent failure to land the Italian Ciga chain, is known to be keen to expand its international portfolio.

Forte eased a penny to 268p. Meanwhile, talk over Forte's intentions towards the Savoy Group saw the latter move up 37 to 1075p.

Standard Chartered was the pick of an uncertain banking sector with the shares building on Monday's strong performance and moving up 16 more to 1160p, partly reflecting increasing optimism over this morning's preliminary figures, and the chances that the numbers could be accompanied by a share split.

Also helping sentiment in stocks heavily exposed to Hong Kong and the far east was a story that Morgan Stanley, the US investment bank and which has triggered big moves in the Hang Seng index over the past year or so, was preparing to increase its weighting in the Hong Kong market.

High street banks also held up well against the overall market with some leading brokers said to be preparing the case that the banks sector is ripe for a re-rating after its recent steep decline. The weakness across financial sectors was triggered by fears of big losses in trading bonds and equities.

The takeover/rights issue speculation surrounding BAT led to renewed talk of potential corporate moves in the UK composite and life sectors. Guardian, up one penny at 196p, was one of only a handful of FTSE-100 stocks to close up on the session after speculators decided it could be a prime target for attack.

Graham Group, the builders merchants hived off by BTR, made a scintillating market debut. Offered for sale at 183p, Graham opened at 197p, marginally above most expectations, and touched 203½p before easing to 202p by the close. Volume reached 34m shares, easily the heaviest individual turnover in the market.

Chemicals group Laporte were firmer after announcing full-year profits of £107.4m, up from £86.6m last time. However the stock ticked back with the market to close 20 off at 794p on uninspired turnover. Hoare Govett raised its recommendation from hold to buy.

Reuters lost much of Monday's gain, sliding 56 to 2103p. Results at the high end of some expectations sent marketing services group WPP up 2 to 125p. S.G. Warburg forecast that WPP would "exhibit 25 per cent average eps growth between 1992 and 1996".

News of losses at USAir in which British Airways has a 24.6 per cent stake left shares in the UK carrier off 11 at 415p, after trade of 6.3m.

Shares in Williams Holdings put on 8 to 409p, with Morgan Stanley said to have had a big buyer of the stock.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

■ Other statistics, Page 33

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (93).
BREWERIES (1) Gibbs Mew, BLDG MATLS & MCHTS (4) CRH, Tarmac, CHEMICALS (2) BASF, Hoechst, DISTRIBUTORS (3) Evans Halshaw, Headlam, PCT, DIVERSIFIED INDLS (1) Cookson, ELECTRNC & ELECT EQUP (7) Abacus, Chloride, Eurotherm, Nolda Prf., Philips, Thorpe (FW), Vitech, ENGINEERING (9) Fenner, Linread, Morris Ashby, Radiant Metal, Wagon Indl., ENG. VEHICLES (1) Volkswagen, EXTRACTIVE INDS (4) Anglo Pacific Res., Caledonia Corp., Inmin Res., NSM, Niugini, Watts Blake, FOOD MANUF (2) Daniels (S), Kerry A, INSURANCE (1) Domestic & General, INVESTMENT TRUSTS (3) Fairbairn Euro. Smaller, Mauritius Fund, INVESTMENT COMPANIES (1) JF Fledgeling Japan, LEISURE & HOTELS (3) Barr & WAT A, Rank Organisation, MEDIA (3) Johnston Press, Metal Bulletin, MERCHANT BANKS (1) Close Bros, OTHER SERVS & BUSNS (2) Chillington, Fleetabrook, PRTNG, PAPER & PACKG (4) Bdt, Polythene 7½pc Prf., De La Rue, Regent A, Sappi, PROPERTY (1) Bolton, RETAILERS, GENERAL (1) Sothebys Hlds Inc Class A, SUPPORT SERVS (8) Admiral, CRT, Computer People, Corporate Servs., INSTEM, MMT Computing, Real Time Control, Sema, TRANSPORT (1) GATX, WATER (1) Bristol Water, AMERICANS (1) Sun Co. Inc., SOUTH AFRICANS (2) Anglo Am. Inds., SASOL.
NEW LOWS (9).
BUILDING & CNSTRN (1) Gopeng Berhad, INVESTMENT TRUSTS (3) Baring Emrg. Euro, Mercury World Wts., PHARMACEUTICALS (1) Scotia, RETAILERS, GENERAL (1) Brown & Jackson, SPIRITS, WINES & CIDERS (1) Taunton Cider, SUPPORT SERVS (1) Salvesen (C), TEXTILES & APPAREL (1) Ebbel.

EQUITY FUTURES AND OPTIONS TRADING

The heavy fall in German bonds in afternoon trading brought a sharp retreat in an already lacklustre derivatives sector, *writes Joel Kibazo.*

On the Liffe, early trading in the March contract on the FT-SE 100 which opened at 3,295 saw the contract challenge the 3,300 level. But interest fizzled out at 3,299 and a selling order from a leading US house reversed the initial advance, leaving March to drift lower.

Further selling after the release of industrial and manufacturing production figures dampened hopes of a reduction in interest rates. However, it was the reversal in German bonds and the early falls in New York that brought the heavy sell-off in March in the afternoon.

It closed at 3,249, down 46 from the previous close and at a 12-point discount to its fair value premium to cash of about minus 8. Volume at the official close was 13,632.

In the Liffe FT-SE Mid 250, volume in June exceeded that in the March contract, which closed at 3,290. March traded 105 lots, against 200 in June. On the OMLX, 9 lots were traded in the March Mid 250 and it closed at 3,923.10.

Liffe traded options saw volume of 32,399 contracts, of which 14,748 were dealt in the FT-SE 100 option and 2,500 in Land Securities.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3294.0	3249.0	-46.0	3299.0	3240.0	15605	51949
Jun	3305.5	3260.0	-46.0	3309.5	3252.0	3206	22275
Sep	3320.0	3282.0	-46.0	3320.0	3320.0	50	525

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3945.0	3920.0	-30.0	3945.0	3927.0	105	492
Jun	3960.0	3933.0	-27.0	3962.0	3960.0	200	-

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3940.0	3917.0	-23.0	3940.0	3917.0	9	2,873
Jun		3931.0					5

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3270) £10 per full index point

	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P
Mar	172	4	122	8½	72	18½	38½	38½	18½	69	6	108½	2	153½	1	203½
Apr	171½	24	134½	37	98	52	71½	74	48½	101½	31	133½	18	171	11	214
May	198	43½	161½	56½	130½	75	101½	96½	77½	123	58½	151½	40½	186	28½	223
Jun	213	57	176½	70	147	90	118½	111	95	137	74½	166	58½	198½	43	235
Dec†	293½	114½			232½	148			176	192			132	246		

Calls 8,433 Puts 5,527

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
Mar	177	3	131	8	85½	13½	50½	27½	25	50½	9½	84½	3	129½	1	175½
Apr	191½	19½	151½	29½	116	43½	85	63	60	87	40	117	25	151½	14½	191
May			180	50			116	85			67	134½			34	201
Jun			192½	60			131½	97½			84½	149			51	214
Sept†			241½	89			180½	125½			138	172			89½	229

Calls 377 Puts 829 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P
Mar	25½	58½	22	83½	7½	137	3½	184	2½	233	½	282½	½		½	
Apr	66	92	45½	121	31	156	20	195	12½		7½		4½		4	

Calls 25 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Mar 8	Day's chge%	Mar 7	Mar 4	Mar 3	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3264.4	-1.3	3305.9	3278.0	3248.5	2949.9	3.67	5.68	21.46	10.46	1200.19
FT-SE Mid 250	3923.1	-0.4	3937.7	3927.3	3907.0	3119.2	3.12	4.92	24.97	11.37	1427.20
FT-SE Mid 250 ex Inv Trusts	3939.2	-0.3	3952.0	3943.0	3923.8	3131.3	3.21	5.28	23.56	11.26	1428.37
FT-SE-A 350	1656.4	-1.0	1674.0	1662.1	1647.8	1454.2	3.54	5.50	22.19	5.19	1247.02
FT-SE SmallCap	2026.60	-0.1	2028.17	2023.35	2020.93	1562.97	2.73	3.46	36.87	5.67	1541.85

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks yesterday

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	47	20
Other Fixed Interest	9	3	3
Mineral Extraction	48	50	111
General Manufactures	128	153	400
Consumer Goods	18	65	110
Services	80	113	327
Utilities	11	25	10
Financials	55	91	245
Investment Trusts	69	106	265
Others	57	38	34
Totals	490	691	1545

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 7	Last Declarations	June 16
Last Dealings	March 18	For settlement	June 27

Calls: Albert Fisher, Aminex, Avesco, Beauford, Birkdale, Carlisle Grp, Caverdale, Channel Hldgs, Elswick, Global Grp, Hanson Wts, Kunick, Microvitec, Millwall, Mowlem (J), Pacer Systems, Signet, Starmin, Sunleigh, Vickers, Vodafone, Euro-

LONDON RECENT ISSUES: EQUITIES

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LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23 11/32	+3/32	£25¾	£16¼	6,811	4.4	12.6
ANZ A$		249¼	+3½	278¾	130	3,281	3.6	19.8
Abbey National	q‡N□	488	-8	524	345	6,410	3.7	16.1
Allied Irish I£	‡♣□	284xd	-1	314	179	1,739	4.7	φ
Anglo Irish I£	M♣□	60	—	*70	28	148.4	7.2	11.0
Asahi Y		727¼	+23¾	844	415	16,878	0.7	-
Banco Bil Viz Pta		£14 13/32	+1/32	£17⅝	£13¾	3,454	5.5	6.7
Banco Sant Pta		£34½	—	£36	£24 1/16	3,847	3.9	13.2
Bank Leumi (UK)		430xd	—	450	325	35.2	5.8	φ
Bk Ireland I£	‡♣q□	264½	-2½	*319	177	1,248	4.7	19.5
Bank Scotland	♣†□	204½	-2½	247	116½	2,380	2.9	27.8
9¼pc Pf		133	-¾	141½	117¼	133.8	8.7	-
9¾pc Pf		139¼	-¼	149½	123½	139.8	8.7	-
Barclays	‡N□	612	-5	652	382	8,308	3.1	-
Dai Ichi Kan Y		£12 11/16	+3/16	£15 9/16	£8 1/8	38,883	0.4	68.5
Deutsche DM		£316 1/4	-1 3/8	£348⅞	£250½	15,051	1.9	-
Espirito Santo		£23 1/2	+1/2	£28¼	£18½	251.5	3.4	5.7
First Nat Fin	N□	83	—	*95	45	137.5	2.3	-
6.3pc Cv Pf		88	—	*91	55	5.78	9.2	-
7pc Cv Pf		161	—	171	106	76.4	5.4	-
Fuji Bank Y		1442	+12¾	1651	876	41,749	0.4	-
HSBC HK	□	902	-9	1133	474	15,397	3.3	φ
HSBC (75p Shs)	□	877	-10	1113	490	7,200	3.4	φ
Lloyds	N□	581xd	-4	690	492	7,495	4.8	12.3
Mitsubishi Y		£18 1/32	+1/8	£18¾	£11¼	52,082	0.3	-
Mits Tst & Bk Y		1081½	+15¾	1027¼	462½	13,040	0.5	16.1
Mitsui Tst & Bk Y		773¼	-12¾	852	374	9,284	0.7	38.3
Nat Aust A$		574¼	+10½	620¼	322	7,555	4.1	14.0
NatWest	q‡N□	484xd	-11	634	398	8,044	4.8	13.3
Ottomane FFr		£30	---	£33	£23¾	150.8	5.0	8.8
Ryl Bk Scotland	♣‡N□	438	-2	528	207	3,494	3.1	19.8
Sakura Y		£9¾	+1/8	£11	£5¾	30,874	0.6	57.8
Sanwa Y		£13 13/32	+1/32	£18	£7¼	40,352	0.4	-
Standard Chartd	†□	1180	+16	1437	576	2,832	2.2	-
7 3/8pc Prf		98xd	-¼	108½	84	99.0	9.3	-
Sumitomo Y		£13 7/8	+¼	£16¼	£8⅞	42,589	0.4	29.2
Sumitomo Tst Y		941¼	-15¾	987½	437½	11,708	0.6	73.8
TSB	N□	246xd	-8	291	145½	3,748	3.9	16.7
Tokai Y		£7 11/16	—	£9⅞	£4⅞	15,849	0.7	51.5
Toyo Tst & Bk Y		694	-19	840	411	5,454	0.7	61.9
Westpac A$		241	+4	280	121	4,226	2.3	φ
Yasuda Tst Bk Y	‡	627½	+6¼	690	343	6,921	0.8	55.3

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

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ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

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INVESTMENT TRUSTS - Cont.

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LEISURE & HOTELS - Cont.

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OIL, INTEGRATED - Cont.

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RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

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TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mngmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Account Life Assurance Ltd

Canada Life Group - Contd.

Century Life Plc

Eagle Star Life Assurance Co Ltd - Contd.

Hill Samuel Life Assur. Ltd

Lincoln National - Contd.

NM Life Assurance Ltd - Contd.

Providence Capital Life Assc. Co Ltd - Contd.

General Accident

Lincoln National

Prudential Individual Pension Funds

Prudential Corporate Pension Funds

J Rothschild Assurance PLC

Pearl Assurance (Unit Funds) Ltd

Providence Capital Life Assc. Co Ltd

Royal Life Insurance Ltd

FT MANAGED FUNDS SERVICE

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Royal Liver Assurance - Contd.

S-E-Banken Life Assurance Co Ltd

Save & Prosper Group (z)

Scottish Amicable

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[redacted]

FT MANAGED FUNDS SERVICE

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Greece Fund Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Bank Trust Co (CI) Mngrs

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Gravale Group (u)

DB Investment Management SA

Den norske Bank

Disa Income Fund

Dolphin Intl Investments (a) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Eagle Star – Global Assets Fund (u)

Flemng Group

Fidelity Funds

LUXEMBOURG (REGULATED)(**)

Nomura Global Fund (u)

PRISCOA Worldwide Inv Portfolio Sicav (u)

Regent Global Fund (u) (z)

Sarasin Investment SICAV (u)

Schroder International

Scottish Equitable Intl Fund SICAV

Sun Life Global Management Ltd

Credit Suisse - Contd.

Daiwa Japan Gem Fund

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Eigiston Global SICAV (u)

Scudder, Stevens & Clark - Contd.

Target International Ltd

Templeton Emerging Asia

Templeton Worldwide Investments

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Markets take a breather

The Spanish peseta was under pressure yesterday after Mr Pedro Solbes, the economics minister, said Spain would not be able to meet the Maastricht convergence criteria for economic union, *writes Philip Gawith.*

The peseta fell to Pta 82.33, down from Pta 81.89 on Monday, after Mr Solbes said Spain would be unable to reduce its public deficit to three per cent of GDP by 1997 - a condition laid down by the Maastricht treaty for monetary union.

The news was hardly a surprise, but it was enough to dampen sentiment on a day when markets were stricken by a near paralysis of inactivity. Mr Nick Parsons, chief economist at CIBC, said a "very large magnifying glass" was required to discern signs of life in the market.

Mr David Barrett of NatWest Treasury commented: "The foreign exchange market doesn't have too many ideas of its own. It is looking for some sort of outside impetus to give it direction." The calm in foreign exchanges also reflects a return to stability in bond markets after the turmoil of last week.

The main currency crosses were *all stuck in very narrow* trading ranges. Dollar/D-Mark traded in the DM1.7125 to DM1.7190 range: Sterling/Dollar in the $1.4865 to $1.4915 range and Dollar/Yen in the Y104.98 to Y105.51 range.

Sterling failed to gain support from figures showing British industrial production and manufacturing to be stronger than anticipated in January. It *finished weaker in London* against the dollar at $1.4875 from $1.4906 on Monday.

■ The Spanish economics minister's comments unsettled the Spanish bond markets and pushed yields higher. With a close relationship between the currency and bond markets, this weakness spilled over into the peseta.

Analysts said there was perhaps also an element of delayed reaction to last week's 50 basis point cut by the Bank of Spain in its key money rate. The market also clearly believes that the Spanish government is keen to cut rates to stimulate the weak economy.

Also weighing on sentiment was the announcement by Moody's, the credit ratings agency, that it might downgrade the paper of Banco Central Hispano.

Mr Chris Turner, currency analyst at BZW, said this had reminded the markets of the problems of another leading Spanish bank, Banesto, which ran into trouble in December.

■ UK economic data releases showed industrial production up by 0.8 per cent, in January for a year-on-year four per cent increase, and manufacturing output up 1.1 per cent from December.

Sterling, however, gained no support from this and ended the day at DM2.5516, a pfennig down on Monday's close. Most *of this weakness came in a* spate of late afternoon selling.

Mr Mark Austin, treasury economist at Midland Global Markets, said the "slight rumblings" about prime minister John Major's leadership had been a negative. "The leadership talk has focused people's minds on the political problems that might occur later in the year."

Mr Turner said sterling appeared still to be suffering from the negative fall-out that followed last month's rate cut. Many in the market chose to interpret that easing of policy as indicating a government view that sterling should not be allowed to rise too high on a trade-weighted basis.

■ The D-Mark was fairly steady ahead of today's repo announcement when the Bundesbank will announce the terms at which it is prepared to put money into the system. Banks are expected to have bid lower rates, encouraged by the view that the Bundesbank will continue easing credit.

The lowest rate at today's allocation is expected to be in the 5.90 per cent to 5.95 per cent range. Last week the Bundesbank switched to a variable rate repo for the first time since mid-November.

It had been setting tenders at a steady fixed rate of six per cent since December. The central bank allowed the repo rate to fall by 3 basis points to 5.97.

■ The dollar traded quietly ahead of today's German repo announcement. It finished slightly firmer against the D-Mark at DM1.7155 from DM1.7184. Compared to the yen it finished slightly lower at Y105.225 from Y105.850.

Affecting the dollar's fortunes is the view that, on the one hand, the Bundesbank will only cut rates cautiously. On *the other, although there is lit*tle dispute that the next move in US rates will be up, the timing of this is less certain.

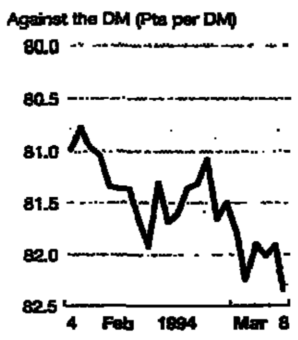
Mr Parsons argues that having destabilised markets with its last move, the Fed will be anxious to avoid a repeat performance when it next tightens. This may require a more cautious approach.

■ *The Bank of England did not* operate in the early morning round yesterday after forecasting a liquidity shortage of £800m in the UK money market.

In the afternoon the Bank put £93m into the market through bill purchases at the established rate of 5¼ per cent. It provided £515m of late assistance.

Peseta

Against the DM (Pta per DM)



Source: FT Graphite

■ **Pound in New York**

Mar 8	Latest	Prev. close
£ spot	1.4875	1.4900
1 mth	1.4855	1.4880
3 mth	1.4829	1.4855
1 yr	1.4778	1.4805

■ **OTHER CURRENCIES**

Mar 8	£	$
Hungary	153.989 - 154.200	103.550 - 103.650
Iran	2605.00 - 2611.00	1748.00 - 1750.00
Kuwait	0.4435 - 0.4444	0.2982 - 0.2987
Poland	32809.2 - 32820.2	22060.5 - 22061.5
Russia	2513.88 - 2531.73	1690.00 - 1702.00
U.A.E.	5.4561 - 5.4673	3.6710 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.9810	-0.0567	542 - 677	18.0297	17.9496	17.9572	0.3	17.9516	0.2	-	-	113.2
Belgium	(BFr)	52.5219	-0.1709	833 - 604	52.7324	52.4833	52.5669	-1.0	52.6669	-1.1	52.9819	-0.9	114.3
Denmark	(DKr)	9.9585	-0.0323	531 - 639	10.0009	9.9531	9.9674	-1.1	9.9821	-0.9	10.0169	-0.6	114.6
Finland	(FM)	8.2354	-0.0208	266 - 442	8.2830	8.2210	-	-	-	-	-	-	81.8
France	(FFr)	8.6702	-0.0296	667 - 736	8.7075	8.6645	8.6798	-1.3	8.6957	-1.2	8.7246	-0.6	108.1
Germany	(DM)	2.5516	-0.0099	508 - 524	2.5657	2.5505	2.5537	-1.0	2.5569	-0.8	2.5588	-0.3	122.4
Greece	(Dr)	369.760	-0.56	589 - 991	372.135	368.974	-	-	-	-	-	-	-
Ireland	(I£)	1.0435	+0.0003	422 - 447	1.0447	1.0405	1.0444	-1.0	1.0463	-1.1	1.0531	-0.9	102.8
Italy	(L)	2512.38	-5.13	084 - 392	2521.28	2510.64	2519.43	-3.4	2533.13	-3.3	2583.73	-2.8	75.6
Luxembourg	(LFr)	52.5219	-0.1709	833 - 604	52.7324	52.4833	52.5669	-1.0	52.6669	-1.1	52.9819	-0.9	114.3
Netherlands	(Fl)	2.8646	-0.0098	633 - 658	2.8817	2.8633	2.8653	-0.3	2.8662	-0.2	2.8629	0.1	117.9
Norway	(NKr)	11.0548	-0.0222	492 - 603	11.1124	11.0492	11.0491	0.6	11.0617	-0.2	11.0526	0.0	94.6
Portugal	(Es)	262.312	+0.339	045 - 579	262.946	261.879	263.287	-4.5	265.232	-4.5	-	-	-
Spain	(Pta)	210.110	+0.293	037 - 182	210.350	209.634	210.72	-3.5	211.855	-3.3	216.175	-2.9	84.2
Sweden	(SKr)	11.8914	-0.0263	839 - 988	11.9483	11.8829	11.9114	-2.0	11.9469	-1.9	12.0559	-1.4	76.1
Switzerland	(SFr)	2.1375	-0.007	364 - 386	2.1453	2.1343	2.1358	1.0	2.1326	0.9	2.1117	1.2	118.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.0
Ecu	-	1.3190	-0.0036	182 - 198	1.3238	1.3182	1.3205	-1.4	1.323	-1.2	1.3294	-0.8	-
SDR†	-	0.936258	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4860	-0.0034	842 - 877	1.4901	1.4842	-	-	-	-	-	-	-
Brazil	(Cr)	1039.78	+13.74	959 - 996	1042.00	1024.00	-	-	-	-	-	-	-
Canada	(C$)	2.0166	-0.0089	159 - 173	2.0252	2.0157	2.0229	1.5	2.0202	1.1	2.0178	0.4	89.1
Mexico	(New Peso)	4.8387	+0.0121	304 - 469	4.8363	4.8328	-	-	-	-	-	-	-
USA	($)	1.4875	-0.0031	872 - 877	1.4913	1.4870	1.4886	1.6	1.4862	1.2	1.4811	0.8	66.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0739	+0.0017	728 - 749	2.0800	2.0657	2.0707	0.9	2.0683	0.7	2.0664	0.3	-
Hong Kong	(HK$)	11.4958	-0.024	931 - 984	11.5240	11.4892	11.5068	1.4	11.5014	0.6	11.4523	0.6	-
India	(Rs)	46.6576	-0.1044	460 - 691	46.7820	46.6320	-	-	-	-	-	-	-
Japan	(Y)	156.517	-1.263	439 - 595	157.510	156.439	157.665	0.9	157.355	1.1	155.56	1.4	186.3
Malaysia	(M$)	4.0486	-0.0074	482 - 510	4.0570	4.0438	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5791	-0.0014	775 - 806	2.5848	2.5709	2.5834	-1.3	2.5877	-1.1	2.5963	-0.6	-
Philippines	(Peso)	41.0909	-0.0498	236 - 581	41.5160	40.8236	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5771	-0.0126	758 - 784	5.5919	5.5739	-	-	-	-	-	-	-
Singapore	(S$)	2.3562	-0.0081	550 - 573	2.3621	2.3550	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1827	-0.0182	807 - 846	5.2043	5.1746	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8311	-0.0853	225 - 397	6.9122	6.8019	-	-	-	-	-	-	-
South Korea	(Won)	1202.24	-2.17	166 - 281	1206.22	1201.84	-	-	-	-	-	-	-
Taiwan	(T$)	[illegible]											
Thailand	(Bt)	[illegible]											

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria … Sweden		[illegible]											
Switzerland	(SFr)	1.4370	-0.0017	365 - 375	1.4399	1.4335	1.4377	-0.6	1.4377	-0.2	1.4295	0.5	105.1
UK	(£)	1.4875	-0.0031	872 - 877	1.4913	1.4870	1.4855	1.6	1.483	1.2	1.478	0.8	80.1
Ecu	-	1.1277	+0.0006	272 - 282	1.1297	1.1247	1.1249	3.0	1.1203	2.6	1.1097	1.6	-
SDR†	-	1.39382	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9990	-0.0002	980 - 000	1.0000	0.9980	-	-	-	-	-	-	-
Brazil	(Cr)	699.035	+10.7	030 - 040	693.100	699.030	-	-	-	-	-	-	-
Canada	(C$)	1.3558	-0.0031	556 - 560	1.3583	1.3555	1.358	-0.2	1.3566	-0.2	1.3608	-0.4	85.3
Mexico	(New Peso)	3.2530	+0.015	480 - 580	3.2580	3.2480	3.2546	-0.6	3.2574	-0.5	3.268	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3942	+0.004	937 - 947	1.3966	1.3868	1.3952	-0.9	1.3981	-1.1	1.4056	-0.8	88.7
Hong Kong	(HK$)	7.7285	+0.0002	280 - 290	7.7299	7.7280	7.7292	-0.1	7.7332	-0.2	7.752	-0.3	-
India	(Rs)	31.3675	-0.0038	650 - 700	31.3700	31.3650	31.4325	-2.5	31.5875	-2.8	-	-	-
Japan	(Y)	105.225	-0.625	190 - 260	105.750	105.070	105.11	1.3	104.8	1.6	103.025	2.1	148.0
Malaysia	(M$)	2.7225	+0.0008	220 - 230	2.7230	2.7170	2.7165	2.6	2.7	3.3	2.7725	-1.8	-
New Zealand	(NZ$)	1.7339	+0.0027	331 - 346	1.7346	1.7280	1.7355	-1.1	1.74	-1.4	1.7542	-1.2	-
Philippines	(Peso)	27.6250	+0.025	500 - 000	27.8500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7495	-0.0005	492 - 497	3.7498	3.7492	3.7519	-0.8	3.7563	-0.7	3.775	-0.7	-
Singapore	(S$)	1.5840	-0.0008	835 - 845	1.5854	1.5830	1.584	0.0	1.584	0.0	1.6075	-1.5	-
S Africa (Com.)	(R)	3.4843	-0.0035	835 - 850	3.4955	3.4750	3.4988	-4.9	3.5276	-5.0	3.6248	-4.0	-
S Africa (Fin.)	(R)	4.5925	-0.0475	875 - 975	4.6400	4.5650	4.6235	-8.1	4.6875	-8.3	-	-	-
South Korea	(Won)	808.250	+0.25	000 - 500	809.400	808.300	811.25	-4.5	814.75	-3.2	833.25	-3.1	-
Taiwan	(T$)	26.4350	+0.05	300 - 400	26.4400	26.4000	26.5375	-4.7	26.685	-3.8	-	-	-
Thailand	(Bt)	25.3100	-0.02	000 - 200	25.3200	25.3000	25.38	-3.3	25.52	-3.3	25.66	-1.4	-

†SDR rate for Mar 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 7. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.96	16.51	4.859	1.988	4783	5.456	21.04	499.4	400.0	22.64	4.071	1.904	3.840	2.833	298.0	2.511
Denmark	(DKr)	52.74	10	8.706	2.563	1.048	2522	2.877	11.10	263.4	211.0	11.94	2.147	1.004	2.025	1.494	157.1	1.324
France	(FFr)	60.58	11.49	10	2.943	1.204	2897	3.304	12.75	302.5	242.3	13.71	2.466	1.153	2.326	1.716	180.5	1.521
Germany	(DM)	20.58	3.902	3.397	1	0.409	984.3	1.123	4.330	102.8	82.33	4.659	0.838	0.392	0.790	0.583	61.32	0.517
Ireland	(I£)	50.31	9.539	8.305	2.444	1	2406	2.744	10.58	251.2	201.2	11.39	2.048	0.958	1.932	1.425	149.9	1.263
Italy	(L)	2.091	0.396	0.345	0.102	0.042	100.	0.114	0.440	10.44	8.364	0.473	0.085	0.040	0.080	0.059	6.230	0.053
Netherlands	(Fl)	18.33	3.476	3.026	0.891	0.364	876.8	1	3.857	91.55	73.33	4.150	0.746	0.349	[illegible]	[illegible]	[illegible]	[illegible]
Norway … Ecu		[illegible]																

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Mar 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790853	+0.002589	-2.20	5.57	15
Netherlands	2.19672	2.17355	-0.00192	-1.05	4.35	-
Germany	1.94964	1.93557	-0.00189	-0.72	4.00	-
Belgium	40.2123	39.8517	-0.0352	-0.90	4.18	7
France	6.53883	6.57835	-0.0045	0.60	2.62	-5
Denmark …	[illegible]					

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 8 / Sch)

BELGIUM/LUXEMBOURG (Mar 8 / Frs.)

DENMARK (Mar 8 / Kr)

FINLAND (Mar 8 / Mks)

FRANCE (Mar 8 / Frs.)

GERMANY (Mar 8 / Dm.)

ITALY (Mar 8 / Lira)

NETHERLANDS (Mar 8 / Fls.)

NORWAY (Mar 8 / Kroner)

SPAIN (Mar 8 / Pts.)

SWEDEN (Mar 8 / Kronor)

SWITZERLAND (Mar 8 / Frs.)

PACIFIC

JAPAN (Mar 8 / Yen)

AUSTRALIA (Mar 8 / Aust$)

HONG KONG (Mar 8 / H.K.$)

MALAYSIA (Mar 8 / MYR)

SINGAPORE (Mar 8 / S$)

NORTH AMERICA

CANADA

TORONTO (Mar 8 / Can $)
4 pm close

Sales	Stock	High	Low	Close	Chng
29200	BCSugA	10⅝		$10⅝	10⅜
69865	BC Tel x	25⅝	+⅛	$25⅝	25⅜
1026140	BCE	51⅝	+⅜	$52⅝	51⅛
433750	BCE Mb	39½	−⅛	$39⅝	39½
64655	BGR A	14⅛	+⅛	$14⅛	14¼
5100	Bmswk	9⅝	+⅛	$9⅝	9½
487402	BkMont	28	−⅛	$28⅜	27¾
365930	BkNovS	30¼	−¼	$30½	30¼
77636	BmbdrB	21⅝	−¼	$22	21¾
35425	BowVal	11⅝		$11¾	11½
7877450	Bmlea	42	−1	43	41½
41666	BracnA	18½		$18⅝	18⅜
8769	Bracor	25¾	−½	$26⅜	25¾
26750	CAE	8⅝		$8½	8⅜
25012	Campbis	77	−5	81	76
102700	CaraOp	445	+10	445	430

Sales	Stock	High	Low	Close	Chng
87850	PhilEn	8¾	−⅛	$8⅝	8⅝
298162	PlDome	30½	−½	$31¼	30½
15250	PowrCp	22⅜	−⅛	$22⅝	22⅜
18400	PowrFn	34½		$34½	34½
4950	RaywkY	17⅝	−¼	$17⅝	17¼
50	RaltnS	20		$20	20
980	Rotbmn	85		$85	84
46500	RngOil	6⅞	−¼	$7	6⅞
373	ReadSt	27		$27	27
51434	Ren En	28	−⅛	$28⅛	28
108500	Repap	5⅞	+⅛	$5⅞	6
84114	Rigel	18⅝	+⅛	$18⅝	18
61259	RioAlg	23⅞	−⅛	$23½	23
1063839	RogCanB	23¾	+1¼	$23½	22
325378	RoyBkC	29	−⅛	$29⅛	28¾
12200	RoyOak	5½	−⅛	$5⅝	5½
2600	ScottP	11¾	−⅛	$11⅝	11⅝

MONTREAL (Mar 8 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Mar 8 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. (A) Owing to problems at source, some French prices may be pre-close.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, March 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nissan Motor	7.9m	874	-10	Kawasaki Steel	3.1m	346	+1
Marubeni	5.5m	514	+4	Hokkaido Taku Bk	2.7m	432	-10
Nippon Steel	4.0m	342	+7	Nippon Flour Mills	2.6m	599	+49
Hitachi	3.7m	925	-1	Sanwa Bank	2.6m	2,190	+20
Showa Sangyo	3.4m	615	+22	Toshiba	2.5m	765	-7

INDICES

	Mar 8	Mar 7	Mar 4	1993/94 High		Low	
Taiwan Weighted Pr.(30/6/66)**	5458.88	5847.39	5872.87	6464.32	8/1/94	3089.43	9/1/93
Thailand Bangkok SET (30/4/75)	1368.03	1376.66	1359.25	1753.73	4/1/94	816.84	1/6/93
Turkey Istanbul Comp.(Jan 1986)	14506.3	15066.7	15592.4	20668.00	13/1/94	3555.69	1/1/93
WORLD MS Capital Int (1/1/70)§	621.6*	620.0	617.9	641.66	1/2/94	488.00	13/1/93
CROSS-BORDER Eurotrack 100(26/10/90)	1459.23	1460.44	1428.41	1549.19	31/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1246.90	1254.57	1232.19	1311.61	2/2/94	882.73	13/1/93
JCapalDgns (31/12/88)	(u)	328.51	325.51	365.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	166.75	165.18	163.36	182.72	14/2/94	88.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
Mar	2224.0	2223.0	-4.0	2234.0	2213.0	20,727	49,013
Apr	2234.0	2233.0	-4.0	2244.0	2224.0	248	2,824
May	2239.0	2237.5	-4.0	2241.5	2235.0	225	1,775

Open interest figures for previous day.

US INDICES

Utilities	213.49	212.10	210.26	256.46 (31/8/93)	207.29 (24/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3862.40 (3878.04) Low 3824.71 (3800.50) (Theoretical♠)
Day's high 3861.25 (3847.22) Low 3832.30 (3814.56) (Actual♠)

Standard and Poors							
Composite ‡	466.91	464.74	463.01	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.91	544.80	542.73	580.59 (2/2/94)	496.48 (28/4/93)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	42.83	42.88	42.80	46.46 (28/9/93)	39.89 (8/1/93)	46.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.07	257.70	256.68	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	469.06	466.46	465.65	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	795.05	790.55	784.58	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Mar 4	Feb 25	Feb 18	Year ago
Dow Jones Ind. Div. Yield	2.62	2.62	2.59	2.99
	Mar 2	Feb 23	Feb 16	Year ago
S & P Ind. Div. yield	2.39	2.36	2.34	2.63
S & P Ind. P/E ratio	24.34	26.09	25.16	26.88

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	467.10	467.30	+0.20	467.70	466.60	60,545	144,360
Jun	468.70	468.75	+0.30	469.00	468.50	16,843	62,114
Sep	-	470.70	-	470.70	470.35	549	3,748

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Bank America	4,018,800	41⅝	−½
Merck	3,779,400	32	+1
Telefonos	3,580,600	66⅝	+1⅛
Limited	3,309,800	19⅝	—
Philip Morris	3,003,800	58⅜	+2

■ TRADING ACTIVITY

● Volume (million)

	Mar 7	Mar 4	Mar 3
New York SE	285.570	311.870	282.986
Amex	18.392	18.852	20.818
NASDAQ	(u)	318.176	318.358
NYSE			
Issues Traded	2,765	2,752	2,738

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.)

4 pm close March 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16⅝	11½	AAR	0.48	3.0	537	338	16¼	16	16½	-⅛
29⅝	12¾	A L Labs A	0.18	1.1	36	267	15⅞	15¾	15⅞	
67¼	54⅝	AMP	1.68	2.6	22	1023	65	64⅛	64⅛	-¾
72¾	55½	AMR			29	2184	62⅞	61	61¼	-1¼
5	1¾	ARX			16	166	4⅞	4¾	4¾	
56⅛	28⅞	ASA	2.00	4.5	29	803	44¾	44⅜	44½	-¼
30¼	22⅝	AbbotL	0.76	2.8	18	7040	27⅝	27⅛	27⅝	+⅜
13⅜	6¾	Abitibi Pr	0.50	3.7	6	151	u13⅝	13⅛	13⅜	+⅜
15⅝	8¼	Acptncain			21	115	11½	11⅜	11⅜	-⅜
36	25½	ACE Ltd	0.40	1.5	4	2228	26⅝	26	26	-⅝
12⅝	10¾	ACM Gvt In x	1.09	9.3		335	11¾	11⅝	11¾	+¼
10⅛	8¾	ACM GvOpp x	0.80	8.6		126	9¼	9	9¼	+⅛
10⅝	8¾	ACM Gvt Sp x	0.98	10.4		746	9½	9¼	9¼	-¼
12¼	10½	ACM Gvt Se x	1.09	10.2		822	10¾	10⅝	10¾	-⅛
12¼	9⅝	ACM Man x	1.08	9.9		230	10⅞	10¾	10⅞	
9⅞	8⅝	ACM Mangd x	0.72	8.1		288	8⅞	8¾	8⅞	+⅛
12⅞	7¾	AcmeClv	0.44	4.6	11	120	9⅝	9⅝	9⅝	
11⅜	6⅜	Acme Elect			33	32	7⅞	7¾	7¾	+⅛
27⅝	18⅜	Acordia x	0.60	2.2	14	41	u27⅞	27⅜	27⅞	+⅝
9¼	6¼	Actava	0.36	5.4	2	684	6⅞	6⅝	6⅝	-¼
18	10⅝	Acuson			80	77	11⅞	11¾	11¾	-⅛
21¾	17½	Adams Expr	0.36	2.0	0	104	17⅝	d17½	17⅝	+⅛
66¼	45½	Ad Micro x	3.00	5.9		196	51½	50¼	50¾	-¾
32¾	16¾	AdvMic	3.00	14.0	9	10537	22⅝	21¼	21½	-1⅛
8⅛	5½	Advest Grp	0.16	2.4	10	42	6⅝	6½	6⅝	
24¾	14¼	Advo Inc	0.10	0.5	126	477	19⅛	19	19	-⅛
58½	41¼	Aegon ADR	1.23	2.4	11	43	52	51⅝	51⅝	-¼
66¼	43⅞	AetnaL	2.76	4.8	10	1859	58⅞	58	58	-⅞
34	24¾	Aflac	0.40	1.3	12	1664	30	29⅝	29⅞	+⅛
22⅛	16¾	Ahmanson	0.88	5.3	10	20475	17	d16⅜	16½	-½
7¾	1⅜	Aileen Inc			2	238	2¼	2½	2⅝	-⅛
49⅞	37½	AirPrC	0.92	2.0	25	653	46¾	46⅛	46½	
39½	18⅛	Airbrne Frt	0.30	0.8	23	963	u39⅞	39⅜	39½	

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4 pm close March 8

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
28¾	10⅞	Safeway			25	1289	25⅞	25¾	25⅞	-⅛
6¾	2	SafewayWi96				158	6⅛	6	6	
65½	37½	StJoePaper	0.20	0.4	278	50	53¼	52¾	53	-⅝
37⅞	28	StJoeL&P	1.80	6.1	15	13	30	29¾	29¾	-⅛
99	75	StPaul	3.00	3.8	8	1984	80⅝	78½	78	-1⅞
11⅜	6⅛	Salant Crp			10	131	8⅜	8¼	8⅜	
75¼	38⅞	Sallie Mae	1.40	3.1	9	1770	45⅛	44¾	44⅞	
14⅞	12⅝	Salomon Br	0.84	2.5		205	13½	13⅜	13⅜	-⅛
51⅞	34	Salomon	0.64	1.2	7	7257	u52⅛	51½	52⅛	+¾
27¾	22⅜	SDgGE x	1.52	6.6	12	589	23⅛	23	23⅛	-⅛
11⅞	8⅜	SantaFeEPts	0.16	1.7	9	4092	8¾	9	8¾	+⅛
40¼	35¾	SantaFePac	2.80	7.2	18	29	39	38⅞	39	+⅛
26¼	12¾	SanFeP	0.10	0.4	14	7456	25⅜	23½	25⅜	+1⅞
31⅛	21	SaraLee x	0.64	2.9	15	11541	22½	22	22¼	+⅛
52¼	40⅛	Scana Corp x	2.82	6.1	12	128	46¼	45⅞	46⅛	-⅛
25¾	17¾	Scecrp x	1.42	8.1	12	31459	18¼	d17⅜	17⅝	-⅝
40½	23⅞	SchaferP			30	219	39⅞	39½	39¾	-⅛
71	51¾	SchPl	1.80	3.1	13	2861	59	58¼	58⅝	-⅛
66⅞	54⅝	Schlmb	1.20	2.1	23	5633	56½	55	56¼	-⅜
39⅜	16½	Schwab(C)	0.28	1.0	13	1824	28½	28⅝	28½	+1⅞
9⅝	5⅝	Schweitzr			25	84	9	8⅝	9	+⅜
38⅞	17¾	SciAtl	0.12	0.4	64	1986	32⅝	31⅞	32¼	-¼
16⅞	9⅛	Scotsman	0.10	0.7	14	16	14⅞	14½	14⅞	
45¾	37	ScottP	0.80	1.7	11	1208	45¾	45⅜	45¾	+⅛
28⅝	14¾	ScuddrNAsF x	0.21	0.9		166	23⅞	23⅜	23¾	+½
12⅝	7½	ScuddrNEuF	0.16	1.3		370	11⅞	11½	11⅞	+⅜
31½	16¾	SeaCnB	0.70	4.0	8	5	17½	17¼	17½	+⅛
17	15	SeaCl1.4625	1.46	9.4		3	15⅝	15¼	15⅝	+⅛
31	24½	Seagrm	0.56	2.0	35	1447	28	27⅝	27¾	-⅛
32⅞	15	Seagull En			32	1098	25⅜	24⅞	24⅞	-½
32	21	Sealed Air			22	13	30⅛	29⅞	30⅛	
60⅛	42⅝	SearsR x	1.60	3.3	7	6490	49⅝	48¾	49⅛	

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close March 8

NASDAQ NATIONAL MARKET

4 pm close March 8

- A -

- B -

- C -

- D -

- E -

- F -

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AMERICA

Dow eases as airline stocks turn lower

Wall Street

US share prices were flat to weaker in light trading yesterday morning as stock market investors took their cue from an uninspired bond market, *writes Patrick Harverson in New York.*

By 12.30 pm. the Dow Jones Industrial Average was down 4.50 at 3,851.72, but off its low for the session of 3,842.72. The more broadly based Standard & Poor's 500 was also little changed near the half-way mark, off just 0.63 at 466.28, while the American Stock Exchange composite slipped 0.74 to 468.32 and the Nasdaq composite shed 3.29 to 791.76. Trading volume on the NYSE was 159m shares by 12.30 pm.

After achieving impressive gains on Monday – when the Dow climbed 24 points – the stock market was unable to maintain its upward momentum when trading opened yesterday. This was in spite of a firm start for bonds, which edged higher in the expectation that the Federal Reserve would not raise interest rates soon.

Analysts said that, in the absence of fresh economic statistics, there was little motivation for investors to buy stocks.

Consequently, as soon as bond prices started to decline, turning an early quarter-point gain on the benchmark 30-year bond into a quarter-point loss by midday, stocks quickly followed suit.

The declines were most pronounced among Nasdaq issues, primarily because they have outperformed the wider market in recent days and so were due for some kind of sell-off.

Among individual sectors, leading airline stocks were notably weaker after Prudential Securities, the Wall Street brokerage house, lowered its 1994 earnings estimates for the five airline companies it covers, citing a new round of fare-cutting in the industry.

The news left Delta $1 lower at $47⅝, AMR (parent of American Airlines) down $1¼ at $61¼, UAL off $⅞ at $127⅝, and Atlantic Southwest (which is traded on the Nasdaq market), $1⅜ weaker at $32. The only stock to buck the trend was USAir, which held its ground at $9, having already suffered from heavy selling on Monday when it issued a profits warning.

Varity jumped $3¼ to $47⅞ in busy trading after the automotive, agricultural and industrial machinery maker announced a surge in fourth quarter profits to $27m, a result that exceeded analysts' expectations.

Some of the bigger cyclical stocks were mixed. Alcoa fell $1⅛ to $74⅝, Minnesota Mining & Manufacturing eased $⅛ at $104⅛ but International Paper put on $1⅛ at $73⅛.

On the Nasdaq, leading technology stocks weakened, with Microsoft slipping $⅞ to $80⅞, Intel easing $⅞ to $70⅛ and Apple Computer falling $⅝ to $37⅛.

Canada

Toronto was lower at noon as the market awaited the government of Canada's T-bill tender, which was expected to set a higher Bank of Canada key rate, later in the day.

The TSE 300 composite index shed 18.86 to 4,417.79 in volume of eased 3.70 points to 4432.90 in volume of 34.3m shares, against 35.8 the previous day.

Rogers Communications class B was up C$⅛ to C$22¼ ahead of the group's annual meeting later in the day. Rogers said on Monday it would respond a timetable set by the US Federal Communications Commission for its proposed bid for Maclean Hunter.

SOUTH AFRICA

Industrial stocks stormed to their third successive peak in hectic trade yesterday, taking the index 108 higher to 5,950, as bullish sentiment was driven by strong demand from foreign investors, notably newly established South Africa funds in the US, *writes Matthew Curtin in Johannesburg.*

The industrials sector carried the overall index to a new high of 5,118, up 46 on the day, as major mining financial counters also notched up sharp increases, led by Anglo American, which added R1 at R228.50 for a cumulative R38 advance since Monday last week. The gold shares index, however, shed 27 to 1,884.

EUROPE

Weaker bonds unnerve bourses

Bond market weakness troubled a number of bourses, *writes Our Markets Staff.*

FRANKFURT tried to ignore bunds as it majored in chemicals and banks, but in the end equities had to concede a small defeat. The Dax closed the session 15.1 higher at 2,124.04; this was actually 8.11 down from Monday's post bourse close; and yesterday's attempt at an after-hours rally failed, the Ibis-indicated Dax ending at 2,125.47 after an afternoon peak of 2,140.05.

Turnover climbed from DM9.4bn to DM10bn. BASF rose DM5.70 to DM311 and Hoechst by DM6.90 to DM315.50, respectively gaining DM4.50 and DM2.50 more after hours. Mr Harry Jaarsma of Dresdner Bank in Frankfurt said that dividend cuts of DM2 from both companies compared with consensus expectations of DM3, and that there were strong recovery hopes for the sector from the second half of this year.

Banks lost some of their fervour in the late afternoon but Commerzbank still ended at DM357, after DM361, following a session gain of DM8 to DM355.

Expectations, ahead of today's repo tender, were that the rate could come down from the 5.90 to 5.95 per cent bracket, after last week's fall from 6 to 5.97 per cent in the first variable bid tender for three months.

PARIS drifted, waiting for the outcome of today's German repo tender. The CAC 40 index fell 3.46 to 2,216.43 and turnover rose slightly to FFr4.3bn.

Suez rose FFr8.20, or 2.4 per cent to FFr349.70 although the companied denied rumours that its insurance subsidiary, Groupe Victoire, was about to be sold, this time to BAT Industries of the UK.

In the retail sector, Carrefour climbed FFr75 to FFr4,145 after producing strong results following Monday's market close. Remy recovered FFr4 of Monday's losses to close at FFr238, following comment that Hong Kong's higher taxes on spirits and champagne were less damaging that had been assumed.

AMSTERDAM saw sellers coming into the market but generally managed to keep at bay the persistent nerves triggered by a weakness in bonds. Most shares managed to cling on to the sharp gains they made on Monday.

The AEX ended the day 1.85 points lower at 432.91.

A significant amount of the action came from US traders, according to one broker.

KLM took a knock from US selling and fell back 80 cents to Fl 49.70. Conversely, US dealers were keen on Philips and their buying edged up the stock 30 cents to Fl 52.90.

Hunter Douglas, which enjoyed positive sentiment on Monday, fell back on vague forecasts although results that although were in line with expectations. Profit-taking weakened the shares further, and they slid Fl 3.10 to Fl 87.70.

MILAN continued higher but the mood remained tentative ahead of the elections at the end of the month. The Comit index added 8.24 or 1.3 per cent to 609.23.

Pirelli put in a strong performance but analysts said there was no news to account for a rise of L71, or 3.3 per cent to L2,311. Benetton added L399 or 3.5 per cent to L26,728.

The banks saw profit-taking, Credito Italiano shedding L47 to L2,629 and BCI easing L36 to L6,266. Telecoms issues continued higher on hopes that the privatisation programme might be speeded: Sip rose L62 to L4,256 and Stet was L86 ahead at L4,756.

MADRID followed the bond market lower, the general index easing 2.64 to 338.46 in turnover of Pta29bn. BCH fell Pta85 to Pta2,930 on Monday evening's news that Moody's was considering a debt ratings downgrade for the bank.

WARSAW advanced 2 per cent to a record high amid continuing demand for local breweries in which German groups have taken stakes. The Wig index rose 399.6 to 20,760.3 although overall trading was described as subdued.

ISTANBUL slid 3.9 per cent in thin trading with many investors unwilling to take fresh positions due to uncertainties over the outlook for the economy. The composite index fell 582.32 to 14,506.39, for a two-day loss of 7 per cent.

Written and edited by William Cochrane, Michael Morgan and Christine Buckley

FT-SE Actuaries Share Indices

Mar 8 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1453.94	1453.19	1450.80	1456.67	1458.57	1459.46	1461.16	1459.23
FT-SE Eurotrack 200	1513.15	1513.00	1514.35	1510.67	1509.77	1511.80	1512.04	1511.16

	Mar 7	Mar 4	Mar 3	Mar 2	Mar 1
FT-SE Eurotrack 100	1460.44	1429.41	1414.65	1393.60	1431.16
FT-SE Eurotrack 200	1516.19	1482.46	1475.40	1462.08	1489.07

Base value 1000 (26/10/90) High/day: 100 - 1461.62; 200 - 1515.98 Low/day: 100 - 1458.63 200 - 1509.57

Asea, BBC shares up on rumours

Shares of Asea and Brown Boveri, the founding companies of engineering group ABB Asea Brown Boveri, have surged on the annual pre-press conference speculation that their directors will do the decent thing and order the conversion of their paper into a single unified ABB share, *writes Ian Rodger in Zurich.*

This time, the speculation originated in Stockholm, driving the Asea "A" shares up SKr20 to SKr581 on Monday, and by a further SKr6 to SKr587 yesterday when the Affärsvärlden index dipped 10.0 to 1,527.6. Zurich arbitrageurs made sure that BBC bearers followed yesterday, showing a SFr19 rise to SFr1,129 as the SMI index fell 16.23 to 2,902.4.

ABB officials yearn for a single share to bolster the group's multinational image, but the controlling families are in no hurry to create one.

The Swedish Wallenbergs now cast 33 per cent of the Asea votes with only 20 per cent of the capital, while the Swiss Schmidheinys speak for 14 per cent of BBC with only 4 per cent of the capital.

In other Stockholm trading, Gambro was marked SKr15 lower to SKr399 in reaction to results.

ASIA PACIFIC

Taiwan sinks 3.4% as Kuala Lumpur rebounds

Tokyo

After gaining substantial ground on active buying by domestic financial institutions in the morning session, share prices met large-lot arbitrage selling and profit-taking, leaving the market only marginally higher on the day, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index closed 86.51 up at 19,886.39 after opening at the day's low of 19,826.28 and peaking at 20,090.71 in the early afternoon on active buying of Nikkei 300 stocks by a UK brokerage.

Traders said profit-taking ahead of the March book closing seemed almost at an end, while some domestic institutions were starting to buy shares.

"The supply demand situation is becoming quite positive," said Mr Nobuhiro Kaneda, general manager of Daiwa Securities' equity division. He expects the Nikkei 225 to close the month – the end of the current business year – within the range of 19,000 and 21,000.

Volume totalled 320m shares, against 343m. The Topix index rose 8.22 to 1,616.32, while the Nikkei 300 edged up 1.92 to 298.39. Advances led declines by 565 to 423, with 197 issues unchanged. In London the ISE/Nikkei 50 index was 1.31 firmer at 1,339.98.

Mounting concern over the rice shortage prompted speculative buying of foods stocks. Hopes that Japanese consumers would eat more bread supported bakery and flour milling shares, with Yamazaki Baking rising Y50 to Y2,190 and Nisshin Flour Milling gaining Y70 at Y1,290.

Frozen food and processed food makers were also firm, with Ajinomoto, the leading food company, moving up Y10 to Y1,320 and Nichirei, a large frozen food maker, advancing Y12 to Y719.

Banks, heavily weighted in the Nikkei 300, gained ground, with Industrial Bank of Japan adding Y30 at Y3,280 and Sanwa Bank Y20 at Y2,190.

Profit-taking depressed the motor sector, which was previously higher on foreign buying. Nissan Motor, the most active issue of the day, dipped Y10 to Y874 and Toyota Motor declined Y10 to Y2,070.

In Osaka, the OSE average rose 5.73 to 21,957.94 in volume of 99.2m shares.

Roundup

Regional markets took divergent paths.

TAIWAN plunged 3.4 per cent on stop-loss selling triggered by the market's failure to rally on Monday, the first day of trade after the central bank raised the ceiling on foreign investment.

The weighted index opened lower and sank for most of the session, ending 190.91 down at 5,456.68. Turnover shrank to a moderate T$55.45bn from Monday's T$80.75bn.

The financial sector, which had surged in recent days on speculative buying by big investors, dropped 4.3 per cent, with China Development losing T$7.50 at T$123.

KUALA LUMPUR staged a strong rebound in the afternoon to close higher, helped by gains in overseas markets and news that the British High Commission in Kuala Lumpur had denied reports that London was contemplating retaliatory action against Malaysia's trade ban.

The composite index was finally 10.58 up at 1,056.30 after *setting a low for the day of 1,035.62 in the morning.*

Petronas Dagangan made its debut, the shares rising to a high of M$7.95 before closing at M$6.95, compared with the M$2.80 offer price.

SINGAPORE recouped some losses on late bargain hunting after a slight recovery in Malaysian shares traded over the counter. The Straits Times Industrial index ended 3.56 lower at 2,240.18 but after a day's low of 2,221.96.

HONG KONG finished sharply higher, aided by bargain hunting, but trading was thin as sentiment remained cautious. The Hang Seng index was finally 233.03 ahead at 10,294.58, having jumped more than 270 points in early trade after an overnight rally of *Hong Kong stocks in London.*

AUSTRALIA strengthened as 556m shares were traded, with the All Ordinaries index finishing 27.0 ahead at 2,171.7.

NEW ZEALAND took its lead from Wall Street and the NZSE-40 capital index ended 30.75, or 1.4 per cent, up at 2,236.08. But turnover of NZ$39m was only about half the level seen earlier in the year.

MANILA turned back after a firm opening as weakness in Benpres sparked other stock sell-offs. The composite index shed 17.25 to 2,637.03. Benpres lost 30 centavos at 9.70 pesos.

SEOUL slipped lower, the composite index declining 10.77 to 884.85. Shares made a slight recovery on a bout of selective buying of blue chips and issues *with low price-earnings ratios* towards the close, after dropping more than 14 points in the early afternoon.

Peace talks obstacles trip up the bulls' stampede

Julian Ozanne on Tel Aviv's change in fortunes

After a bullish run of several months, the Tel Aviv Stock Exchange has entered a period of pessimism and caution as the market goes through a crucial period of adjustment driven by political and economic uncertainty.

Since the boom of early January the TASE has been through a mini-crash with a 12.5 per cent decline on the Mishtanim two-sided index of the 100 most actively traded blue chip companies. The more speculative Karam index of the smaller capitalised companies has fallen about 27 per cent.

From a high of almost 259 points in mid-January, buoyed by over-optimism about the peace process, the Mishtanim index closed yesterday at 221.11, a fall of 0.6. Analysts predict that the market will take several months to recover.

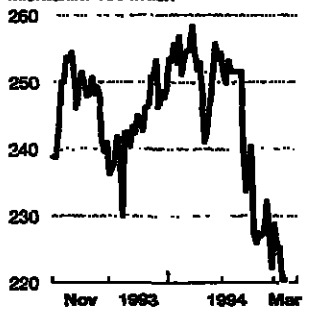
Driving this decline of the market are four major factors: fear of further increases in interest rates; a general feeling that the market was over-bought and making the shares, particularly on the Karam index, seriously overvalued; the exposure of some of the worst insider trading and share price manipulation since the 1983 bank shares scandal; and the political uncertainty surrounding the peace process and the stability of the fragile coalition government.

"The market was long overdue for a correction," said Mr David Rosenberg, a market analyst at Pacific Mediterranean Investments. "But unfortunately several things came at once."

The conditions for a decline in the market were set last December when the central bank, concerned about meeting an inflation target of 8 per cent for 1994, lifted interest rates to 11.5 per cent just as inflation reached 11.2 per cent. Although the market did not respond immediately, fear of further rate increases has haunted investors. Those fears will have been boosted yesterday following the publication of an International Monetary Fund report warning of the possibility of further rises

Israel

Mishtanim 100 Index



Source: FT Graphite

in interest rates to combat inflation.

However, the real decline in the market started in February as big institutional investors announced that many shares were overvalued, the relation between financial results of companies and their market value was disproportionate, and the market was over-bought.

The movement of many large investors away from small Karam stocks towards larger capitalised Mishtanim stocks coincided with the revelation of an investigation by the Securities Authority of share price manipulation by brokers and fund managers and the subsequent arrest of three portfolio managers and the investigation of at least a further six. The impact of both these developments was felt most heavily on the Karam index, where shares were most overvalued and also more easily subject to manipulation.

Also, the peace euphoria which characterised trading throughout the August-January period finally ran out as talks with the PLO became bogged down. The massacre of Palestinians by a Jewish fanatic in Hebron two weeks ago, followed by the suspension of PLO-Israeli talks, delivered a final crushing blow to investor confidence.

"This is a peace market," said Mr Goldberg. "Everything hinges on that. The future economic development of Israel is contingent on the peace process and the market closely reflects that."

Although recent new issues just about mustered a subscription, poor conditions on the market have led the government, to postpone for five weeks the sale of Shikun U'Pituach, a state-owned property development company valued at Shk1bn, until later this month.

However, many analysts believe the market has swung too low and that the recent decline is only temporary and should be put in the context of the fact that the Mishtanim index has climbed 785 per cent in the past five years, having weathered four major falls but then quickly recovered.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 7 1994								FRIDAY MARCH 4 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	174.60	2.2	173.67	116.83	155.99	161.44	1.5	3.30	170.82	169.95	113.94	152.73	159.07	189.15	130.19	134.13
Austria (17)	186.61	0.7	185.60	124.86	166.71	166.56	0.7	0.93	185.34	184.39	123.62	165.71	165.44	195.41	139.63	148.78
Belgium (42)	166.48	1.2	165.59	111.39	148.73	145.13	1.1	3.93	164.44	163.69	109.68	147.02	143.69	169.08	141.66	141.66
Canada (107)	135.83	0.9	135.10	90.88	121.34	133.65	0.9	2.62	134.62	133.92	89.79	120.36	132.47	146.31	121.46	122.20
Denmark (32)	269.07	2.0	267.62	180.03	240.38	245.26	1.8	0.94	263.71	262.35	175.89	235.78	241.04	275.79	195.66	201.71
Finland (22)	152.88	2.6	152.05	102.29	136.57	177.70	2.1	0.67	149.00	148.23	99.38	133.21	173.88	156.72	70.02	74.94
France (99)	176.96	1.9	176.01	118.40	158.09	162.01	1.7	2.87	173.75	172.86	115.89	155.35	159.32	185.37	149.80	156.42
Germany (59)	132.25	2.1	131.54	88.49	118.14	118.14	2.0	1.80	129.49	128.83	86.37	115.78	115.78	142.38	107.59	111.49
Hong Kong (56)	410.07	1.6	407.87	274.38	366.35	406.87	1.6	2.58	403.60	401.53	269.20	360.86	400.42	508.56	233.64	262.06
Ireland (14)	189.09	0.4	188.08	126.52	168.94	186.47	0.5	3.18	188.26	187.30	125.57	168.33	185.51	209.33	137.61	137.61
Italy (69)	74.86	2.4	74.46	50.09	66.88	94.43	2.4	1.78	73.13	72.75	48.78	65.39	92.22	76.93	55.21	63.69
Japan (469)	152.30	-1.2	151.48	101.90	136.06	101.90	-0.9	0.79	154.17	153.38	102.83	137.84	102.83	165.91	107.98	107.98
Malaysia (69)	491.91	-1.8	489.27	329.14	439.47	515.63	-1.9	1.44	500.98	498.40	334.14	447.92	525.58	621.83	274.40	277.76
Mexico (18)	2269.28	0.3	2257.07	1518.35	2027.31	8033.83	0.3	0.63	2261.31	2249.67	1508.23	2021.78	8010.58	2647.08	1431.17	1506.12
Netherland (26)	201.26	2.1	200.18	134.67	179.81	177.14	2.0	3.08	197.16	196.15	131.50	176.28	173.67	207.43	161.44	161.44
New Zealand (14)	68.60	-0.2	68.23	45.90	61.28	63.06	-1.0	3.68	68.72	68.37	45.83	61.44	63.70	77.59	45.34	46.34
Norway (23)	199.42	0.7	198.35	133.43	178.15	201.14	0.5	1.58	197.97	196.95	132.04	177.00	200.23	206.42	140.61	140.61
Singapore (45)	334.07	0.7	332.27	223.52	298.45	243.98	0.7	1.65	331.86	330.15	221.34	296.71	242.32	378.92	213.57	222.73
South Africa (60)	256.61	0.9	255.23	171.70	229.25	260.25	1.3	2.13	254.26	252.96	169.59	227.33	256.89	280.26	161.99	164.65
Spain (42)	146.65	2.0	145.86	98.12	131.01	158.38	1.8	3.74	143.80	143.06	95.91	128.57	153.64	155.79	116.33	126.76
Sweden (36)	218.35	1.2	217.17	146.09	195.07	258.44	0.8	1.45	215.76	214.65	143.91	192.91	256.01	230.02	154.79	165.12
Switzerland (49)	164.90	1.8	164.02	110.34	147.32	147.08	1.6	1.53	161.97	161.13	108.03	144.81	144.79	176.56	111.01	111.01
United Kingdom (215)	202.19	0.8	201.10	135.28	180.63	201.10	0.8	3.61	200.54	199.51	133.76	179.30	199.51	214.98	168.46	170.31
USA (518)	189.92	0.5	188.90	127.07	169.67	189.92	0.5	2.78	189.04	188.07	126.08	169.01	189.04	196.04	178.61	182.13
EUROPE (745)	170.29	1.5	169.37	113.94	152.13	163.60	1.4	2.80	167.80	166.94	111.92	150.03	161.36	178.58	138.88	139.95
Nordic (113)	212.82	1.6	211.68	142.40	190.13	219.33	1.3	1.22	209.54	208.46	139.76	187.35	216.56	220.60	145.85	152.07
Pacific Basin (722)	162.21	-0.9	161.34	108.53	144.92	112.86	-0.6	1.07	163.63	162.79	109.14	146.30	113.59	168.80	113.69	113.99
Euro-Pacific (1467)	165.42	0.1	164.53	110.68	147.78	132.63	0.2	1.81	165.21	164.38	110.19	147.71	132.34	170.78	124.48	124.48
North America (625)	186.56	0.5	185.56	124.83	166.67	186.03	0.5	2.76	185.66	184.70	123.83	165.99	185.13	192.73	173.70	178.42
Europe Ex. UK (530)	149.81	1.9	149.01	100.24	133.84	141.35	1.8	2.29	147.02	146.26	98.06	131.44	138.91	155.73	120.02	121.12
Pacific Ex. Japan (253)	258.54	1.1	257.15	172.99	230.98	238.61	0.8	2.56	255.82	254.51	170.63	228.73	234.70	296.21	164.34	172.73
World Ex. US (1652)	166.91	0.2	166.01	111.68	149.11	135.94	0.2	1.82	166.64	165.78	111.14	148.99	135.59	172.51	125.68	125.66
World Ex. UK (1955)	170.60	0.2	169.68	114.28	152.58	148.19	0.3	2.01	170.43	169.56	113.67	152.38	147.78	176.58	141.21	141.21
World Ex. So. Af. (2110)	173.06	0.3	172.13	115.79	154.61	151.98	0.3	2.17	172.60	171.71	115.12	154.32	151.49	178.56	143.71	143.71
World Ex. Japan (1701)	186.71	0.9	185.70	124.92	166.80	182.76	0.8	2.72	185.05	184.10	123.43	165.45	181.23	195.20	163.82	163.98
The World Index (2170)	173.55	0.3	172.61	116.12	155.04	152.83	0.3	2.17	173.07	172.18	115.44	154.74	162.33	178.97	143.74	143.74

Latest prices were unavailable for this edition.